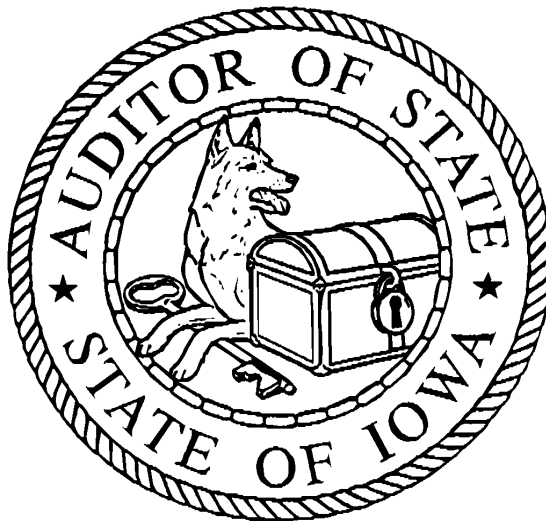


CITY AUDIT PROGRAM GUIDE

For the year ended June 30, 2008



DAVID A. VAUDT, CPA
AUDITOR OF STATE

CITY AUDIT PROGRAM GUIDE (Cash Basis)**CITY** Sample City**June 30, 2008****FILE INDEX**

<u>N/A</u>	<u>Incl.</u>	
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_____	_____	GF-2 Planning Conferences
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_____	_____	GF-6 Planning Materiality and Summary of Tests
_____	_____	GF-7 Analytical Procedures
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_____	_____	GF-17 Opinion, Disclosure and Other Report Information, Including Draft Management Discussion and Analysis
_____	_____	GF-18 Confirmation Control
_____	_____	GF-19 W/P Copies Given to Client and Outside Parties
_____	_____	GF-20 Pending Matters
_____	_____	GF-21 Review Notes – deleted by _____ Date _____
_____	_____	GF-22 Incharge Review Questionnaire
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CITY Sample City

June 30, 2008

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Z.	Miscellaneous

CITY Sample City

June 30, 2008

AUDIT PLANNING

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives: A. Plan and document planning of audit. B. Consider Single Audit implications. C. Determine preliminary planning materiality. D. Consider the effect on financial statements of non-compliance with laws and regulations. E. Perform risk assessment procedures and assess risk of material misstatement of the financial statements. F. Determine audit approach.					
Audit Procedures: A. City's population _____ Date of Incorporation _____ B. Job number _____ C. Assigned staff: _____ Independent? _____ Manager _____ Incharge _____ Staff _____ _____ _____ _____ _____ D. Timing: _____ Planned Date _____ Actual Date _____ Begin fieldwork _____ Complete fieldwork _____ To manager _____ E. Obtain and file the engagement letter. (AU Section 311.08) F. If prior year audit was performed by another firm: _____ 1. Obtain copy of the auditor's reports on the financial statements, compliance and internal control. 2. Obtain copies of appropriate workpapers. 3. Make the appropriate inquiries of the predecessor auditor addressed in SAS No. 84. (AU Section 315). 4. Firm: _____ Contact Person: _____ Telephone: _____	A				
	A				
	A				

CITY Sample City

June 30, 2008

AUDIT PLANNING

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>G. Review prior year audit report and working papers. If applicable:</p> <ol style="list-style-type: none"> Note any departures from an unqualified opinion. Note any specific areas of comment in the prior audit report. Determine and document current status. Note any areas of special emphasis recommended for this year's audit by the prior auditor. Note items for next year's audit in prior year's workpapers. Document in planning section. Note any non-report comments that may affect this year's audit and document the status of these. 	A,B,E				
<p>H. Inquire as to the existence of any attestation engagements, performance audits, or other studies (for example – Federal audits, program audits, IT audits, reviews by state agencies, etc.) that have been performed and determine the current status of any findings or recommendations identified that may directly affect the risk assessment and audit procedures in planning the current audit. (GAS Chapter 4.09)</p>					
<p>I. Review permanent file and determine status of the following and update as necessary:</p> <ol style="list-style-type: none"> Identification of financial reporting entity and compliance with GASB 14, as amended by GASB 39. <ol style="list-style-type: none"> Identify the primary government. Identify and document consideration of component units. Identify and document relationships with organizations other than component units. Nature of client's business and legal environment. Applicable state and federal regulations. Administrative and accounting personnel. As applicable, federal program personnel. Organization chart. Chart of accounts and accounting manual. Use of outside service organizations. Use(s) of IS systems. Methods used to process significant accounting information. Long-term leases, contracts and commitments. List of officials and terms. 	A,B, F				
<p>J. Conduct entrance conference. Discuss and document pertinent information.</p>	A,B				

CITY Sample City

June 30, 2008

AUDIT PLANNING

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
K. Request that the City assemble all necessary information, records and documents.	A,B,F				
L. Determine the extent of involvement, if any, of other independent audit firms, consultants, specialists or internal auditors. Where applicable, follow the appropriate guidance:	A				
1. AU 543 "Part of Audit Performed by Other Independent Auditors". (For audits of material component units, audits conducted as a joint audit, or other reliance on external auditors).					
2. AU 322 "Auditor's Consideration of the Internal Audit Function".					
3. Consider whether specialized skills, including professionals possessing IT skills, are needed in performing the audit and seek such assistance if considered necessary. (AU 311.22 & AU 311.23)					
4. AU 336 "Using Work of Specialist" and Government Auditing Standards Chapter 3.05. Examples of the use of a specialist include:					
a. An engineer or environmental consultant used to estimate the remaining useful life or estimated closure and postclosure costs of a MSWLF.					
b. An actuary used to determine IBNR claims for a self-insurance fund.					
c. An actuary used to determine amounts for OPEB.					
M. Inquire about related party transactions.	A,F				
N. Minutes:	A,E,F				
1. Review minutes through the most recent meeting and document significant Council action, including subsequent events.					
2. Scan minutes for significant action of other outside Boards, including, but not limited to Library Board and Park Board.					
O. Obtain copy of client's June 30 financial statement(s)/ reports.	A				
P. Evaluate and document any nonaudit service to determine that Government Auditing Standards paragraph 3.13 in regard to Independence will not be impaired. If the nonaudit service involves a total of 40 hours or fewer, then the de minimum rule applies and independence will not be impaired. Discuss with Manager, if necessary.					
Q. Determine if the City is a fiscal agent for any separate Boards or Chapter 28E Organizations. Determine if they are properly disclosed and reported. Perform the necessary GASB 14, as amended by GASB 39, reviews.					
R. Determine and document judgments about materiality levels by opinion units. (AAG-SLV 4.23) If done at interim, update materiality levels as of the balance sheet date.	B,C				

CITY Sample City

June 30, 2008

AUDIT PLANNING

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
1. Opinion units in a government's basic financial statements are (as applicable): <ol style="list-style-type: none"> By each major fund. By type of activity, governmental or business-type. Aggregate remaining fund information. Discretely presented component units. 	A,E,F				
2. Materiality level for each major federal program. If done at interim, update materiality levels as of the balance sheet date.					
S. Apply preliminary analytical procedures:					
1. Compare current year information to information with a plausible relationship. 2. Identify expectations and document basis of expectations. 3. Identify unusual or unexpected balances or relationships. 4. Determine and document if matters identified indicate a higher risk of material misstatement. If a higher risk is indicated, adjust audit approach accordingly.					
T. Determine completeness and accuracy of books and records by footing, cross-footing and tracing postings from journals as necessary. Include all subsidiary detail systems.					
U. Prepare all necessary confirmation requests for mailing.	A,B,E,F				
V. Send attorney letters to attorneys and other lawyers consulted on significant matters during the period. Send the letter early during fieldwork with a requested response date one week prior to estimated completion of fieldwork.					
W. Determine and document an audit strategy based on determination of audit risk (AU 312.12, AU 314.102 and AU 316).					
X. Internal Control	A,B,D,E, F				
1. For the City and any separately maintained record systems, obtain and document an understanding of the internal controls including those relating to overall compliance with laws and regulations. <ol style="list-style-type: none"> Determine and document whether these internal controls have been implemented. Assess control risk for financial statement assertions, including those relating to overall compliance with laws and regulations that have a direct and material effect on the financial statements. 					

CITY Sample City

June 30, 2008

AUDIT PLANNING

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<ul style="list-style-type: none"> 1) Identify those financial statement assertions for which tests of controls need to be performed and design the appropriate tests of controls. 2) Document conclusions in working papers concerning the assessed level of control risk for the assertions. c. Document the following when control risk is assessed at maximum: <ul style="list-style-type: none"> 1) Determine that performing only substantive tests will reduce detection risk to an acceptable level when evidence of the initiation, recording or processing of financial data exists only in electronic form. (AU 319.04) 2) Document the accuracy and completeness of the information used to perform substantive tests when the information is produced by the City's information system. (AU 319.65) d. If the City uses a service organization to process transactions or which are part of the City's information system (i.e. payroll processing, utility billing and/or collection, bank trust department that invests and holds assets for employee benefit plans, organizations that develop, provide and maintain software for user organizations, etc.), follow AU Section 324 (SAS 70 and SAS 88) to consider and document the effect the service organization has on the internal controls of the City (user organization), related control risk assessments, and the availability of evidence to perform substantive procedures. 					
<ul style="list-style-type: none"> 2. Major federal programs: <ul style="list-style-type: none"> a. Obtain and document an understanding of the internal controls relevant to the common requirements applicable to all major federal programs. b. Determine and document whether these controls have been placed in operation. c. Assess control risk. (The auditor should plan for a low level of control risk). d. Perform tests of controls over each major program (regardless of whether or not choosing to obtain evidence to support an assessment of control risk below maximum). e. Include lack of or ineffective control procedures as significant deficiencies in the report on the internal control. 					

CITY Sample City

June 30, 2008

AUDIT PLANNING

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>3. If steps X(1) and (2) are done at interim, determine if tests of controls and assessments of control risk can be extended to the balance sheet date:</p> <p>a. Apply the following procedures for internal control work done:</p> <p>1) Ask whether there have been any changes to internal controls including federal controls since interim date. Also consider whether any changes are apparent from substantive (or other) tests done after interim date.</p> <p>2) Consider the significance of any changes.</p> <p>3) Obtain audit evidence about the nature and extent of any changes.</p> <p>b. If considered necessary based on the above procedures, perform additional tests of controls and update risk assessments.</p> <p>Y. Determine the major funds for the governmental and business type funds. Funds are considered major funds if they meet both the criteria for the same element. (GASB 34 par.76)</p> <p>1. Total assets (cash and investments), receipts or disbursements of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type.</p> <p>2. Total assets (cash and investments), receipts or disbursements of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.</p> <p>3. Review with management whether additional discretionary funds should be included as major funds.</p> <p>Z. Termination Benefits/OPEB/Pension Benefits</p> <p>1. Obtain copies of personnel policies, employment contracts, union agreements, employee handbook, retirement plans, etc. and determine if benefits represent:</p> <p>a. termination benefits (GASB 47)</p> <p>b. pension benefits/retirement income (GASB 27/50)</p> <p>c. sick leave dollars converted to healthcare – can be termination benefit or compensated absences (GASB 47 or GASB 16)</p> <p>d. other post-employment benefits (OPEB) (GASB 43/45 – future implementation).</p>					

CITY Sample City

June 30, 2008

AUDIT PLANNING

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>2. If termination benefits are identified, see applicable liabilities section(s) of the audit program.</p> <p>3. If pension benefits/retirement income are identified, discuss with audit manager.</p> <p>4. If sick leave conversion to healthcare is identified:</p> <p>a. If meets definition of a termination benefit as defined by GASB 47, see applicable liabilities section(s) of the audit program (for termination benefits).</p> <p>b. If meets definition of a "termination benefit" as defined by GASB 16, see applicable liabilities section(s) of the audit program (for compensated absences)</p> <p>5. If other post-employment benefits are identified,</p> <p>a. Gain an understanding of OPEB plan</p> <p>b. Determine future implementation date for reporting under GASB 43/45</p> <p>c. Determine whether an actuarial opinion will be required and how often based on plan membership</p> <p>d. If an actuarial opinion will be required, discuss with client to ensure they understand responsibilities for compliance with GASB 43/45:</p> <p>1) the information that will need to be provided to the actuary for assumptions:</p> <ul style="list-style-type: none"> • Turnover – for projections to take into account vesting and vested benefits • Retirement age • Mortality – estimated life spans • Projected salary increases • Inflation rate • Healthcare cost trend data • Investment return • Post-retirement benefit increases <p>2) for what reporting period the actuarial opinion is required</p> <p>3) timing for performance of the actuarial opinion</p> <p>4) when information will be needed for budgeting purposes.</p> <p>e. If an actuarial opinion will not be required, determine whether the Alternative Measurement Method will be utilized.</p>					

CITY Sample City

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AUDIT PLANNING

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
AA. Document the auditor's consideration of the risk of material misstatement due to abuse. If indications of abuse exist, plan audit procedures to determine whether abuse has occurred and the effect on the financial statements. (GAS Chapter 4.13)	E				
BB. If a computer was used by the City to process significant accounting applications, determine and document the methodology to be used in obtaining evidence. (i.e. manual audit procedures, computer-assisted audit techniques, or a combination of both). (AU 326.12)					
CC. Identify and obtain an understanding of possible additional financial statement effects of pertinent laws and regulations (not already identified in the audit program) which could, if not observed, have a direct and material effect on the financial statements. (AU 801.08)	D				
DD. Modify/expand on audit program guide, as necessary. The program should be responsive to the critical audit areas and other areas of concern noted in audit planning, the analytical procedures performed on the financial statements, and the understanding obtained of the City's internal controls.	A,F				
EE. Complete the Code Compliance Risk Assessment Form and the Code Compliance Guide and file in the permanent file.	A,D				
FF. Immediately contact Manager if fraud or embezzlement is suspected. Ensure the appropriate officials are notified after contacting the Manager. Chapter 11.6 requires a CPA firm to notify the Auditor of State immediately regarding any suspected embezzlement or fraud. If federal funds are involved, the appropriate U.S. Regional Inspector General should be notified.					
GG. Prepare audit time budget.					
HH. Discuss planning phase with Manager and document conclusions.	A				

AUDIT PLANNING

[illegible]

CITY Sample City**June 30, 2008****AUDIT STRATEGY**

The attached audit strategy is to be used to document the following:

- Auditor's understanding of certain preliminary information regarding the entity and its environment for planning the audit.
- Auditor's fraud risk assessment including identification of fraud risk factors.
- Identification of material account balances and classes of transactions.
- Determination of the risk of material misstatement at the financial statement and relevant assertion levels.
- Auditor's response to the risks identified.
- Identification of the federal programs.
- Determination of major federal programs and the applicable common requirements.
- Applicability of account balances and classes of transactions to federal programs.

CITY Sample City

June 30, 2008

AUDIT STRATEGY

PROCEDURE	YES	NO	REMARKS
1. Did the prior year report on the financial statements include departures from an unqualified opinion?			
2. Did the prior year audit identify any significant deficiencies or material weaknesses?			
3. Have various account balances or transactions required significant adjustments in prior audits?			
4. Was the approach in the prior year primarily substantive?			
5. Were any significant errors or instances of fraud noted in the prior audit?			
6. Is there any indication there could be substantial doubt about the City's ability to continue as a going concern?			
7. Does the audit require special expertise?			
8. Are specialized skills needed to determine the affect of IS on the audit, to understand the IS controls, or to design tests of controls?			
9. Are there any new accounting and/or auditing pronouncements that may affect the current audit?			
10. Are there any specialized accounting practices or principles applicable to the City? (i.e. pensions)			
11. Have there been any significant changes in accounting practices for the City?			
12. Are there any economic conditions or recent developments that affected the City's operations? (inflation, interest rates, technological changes)			
13. Are there any special regulatory or reporting requirements that apply? (Single Audit)			
14. Is the City economically dependent on a major industry or company such that a change in the industry or company, would adversely affect the City?			
15. Has there been a change in state or federal funding that would significantly impact the operations of the City?			
16. Is any aspect of the City profit motivated?			
17. Have there been any significant changes in the function or responsibilities of the City?			
18. Do the financial statements require use of significant accounting estimates or fair value determinations?			
19. Does the City have multiple locations for significant operations?			

CITY Sample City

June 30, 2008

AUDIT STRATEGY

PROCEDURES	DONE BY	REMARKS
<p>20. Complete the fraud risk assessment form.</p> <p>21. Document the following on the audit strategy form.</p> <ol style="list-style-type: none"> Identify material account balances and classes of transactions. Consider preliminary planning materiality as well as qualitative matters such as volume of transactions, susceptibility of assets to theft, etc. Assess the inherent risk by assertion for each of the material account balances and classes of transactions identified above and document the results. Assess control risk. Considering the understanding obtained of the entity (including its environment and internal controls) and the determination of inherent and control risks, assess the risks of material misstatement (whether due to fraud or error) at financial statement and relevant assertion levels and assess detection risk. Document overall responses to the risks identified and the design of further audit procedures (audit approach). If Single Audit is applicable, identify the major federal programs using the Single Audit - Audit Strategy form. Identify the material account balances and classes of transactions applicable to major federal programs. Identify the common requirements applicable to each major federal program. Indicate whether test of controls are applicable or comment on whether controls do not exist or cannot be tested. <p>22. Identify other matters considered in determining the audit strategy.</p> <p>23. Identify any matters that could increase the risk of material misstatement of the financial statements due to errors, fraud and other non-compliance.</p>		

CITY Sample City

June 30, 2008

AUDIT STRATEGY
RISK ASSESSMENT**I. BRAINSTORMING CONFERENCE**

Date: _____

Instructions: Members of the audit team are required to discuss the susceptibility of the government's financial statements to material misstatement due to fraud or error. The discussion should include an open exchange of ideas (brainstorming). The discussion should also emphasize the importance of exercising professional skepticism throughout the audit. The discussion may occur prior to, or in conjunction with, other audit planning procedures, but should take place each year.

If the audit is a Single Audit, completion of this procedure should include consideration of both the audit of the financial statements and the federal awards.

Audit of financial statements	Yes	_____	No	_____
Single Audit	Yes	_____	No	_____

Participants:

Name	Title

1. Describe how the discussion occurred (e.g. face-to-face meeting, conference call)

2. Describe the matters discussed.

CITY Sample City

June 30, 2008

AUDIT STRATEGY
RISK ASSESSMENT

Matters that should be discussed include:

- a. How and where the financial statements might be materially misstated due to fraud or error.
- b. How management could perpetrate and conceal fraudulent financial reporting.
- c. How the perpetrators could misappropriate government assets.
- d. Known external and internal factors affecting the government that might (1) create incentives/pressures to commit fraud, (2) provide the opportunity for fraud to take place, and (3) reveal attitudes or rationalization about why fraud is acceptable behavior.
- e. The nature and risk of management override of controls.
- f. How best to respond to these fraud and other risks through the design of audit procedures.
- g. The importance of maintaining an appropriate attitude of professional skepticism throughout the audit when considering the risk of material misstatement due to fraud.

The discussion should not be influenced by past favorable experience with the integrity of management.

The discussion should abandon neutrality and presume the possibility of dishonesty at various levels of management.

The discussion should focus on the financial statement areas vulnerable to fraud presuming that management, employees, or volunteers were inclined to perpetrate fraud.

3. Did information arise during the brainstorming meeting that may be relevant to identifying risks of material misstatement due to fraud or error?

_____ Yes (Document on Part IV)

_____ No

Comments:

CITY Sample City

June 30, 2008

AUDIT STRATEGY
RISK ASSESSMENT**II. INQUIRIES ABOUT THE RISKS OF FRAUD**

Instructions: Auditors are required to make inquiries of management and others about the risks of fraud. Inquiries should be made each year in the planning stage of the audit. This form can be used to document the auditor's inquiries of management and other employees. Conducting one-on-one interviews with members of management and other employees is the most appropriate way of accomplishing the objectives of the inquiry process. Management interviewed should include, at a minimum, all those who sign the management representation letters.

If the audit is a Single Audit, completion of this procedure should include consideration of both the audit of the financial statements and the federal awards. Alternatively, the auditor may wish to complete separate forms.

(A separate form should be used for each person interviewed)

A. Management Personnel Interviewed:

Name	Title	Date

1. Inquire of the government's management about whether it is aware of (1) actual or suspected fraud, or (2) any allegations of fraud (e.g., communications from employees or others). Describe.

2. Inquire of the government's management about its understanding of the risks of fraud within the government, including any specific risks identified or account balances or transaction classes where fraud is likely to occur. Describe.

3. Inquire of the government's management about the programs and controls that it has established to mitigate fraud risks and how it monitors such programs and controls. Describe.

CITY Sample City

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AUDIT STRATEGY
RISK ASSESSMENT

4. Inquire of the government's management about the nature and extent of monitoring of operating locations, where applicable, and whether there are particular units for which a risk of fraud may be more likely to exist. Describe.

--

5. Inquire of the government's management about whether and how it communicates to employees its views on business practices and ethical behavior. Describe.

--

6. Inquire of the government's management about whether it has reported to the audit committee, or its equivalent, on how the government's internal control monitors the risks of material fraud. Describe.

--

7. Inquire of the government's management about their compliance with laws and regulations. Describe.

--

8. Inquire as to whether the person being interviewed gambles and whether they know of any City employee or Board Member who gambles.

--

9. Did information arise from inquiries of management that should be considered further in identifying risks of material misstatement due to fraud?

_____ Yes (Document on Part IV)

_____ No

Comments:

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CITY Sample City

June 30, 2008

AUDIT STRATEGY
RISK ASSESSMENT

B. Others Interviewed:

Name	Title	Date
<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>

1. Inquire of others within the government (e.g., operating personnel not directly involved in the financial reporting process and employees with different levels of authority) about any actual fraud or suspected fraud. Describe.

2. Inquire as to whether they know of any City employee or Council Member who gambles.

3. Did information arise from inquiries of others that should be considered further in identifying risks of material misstatement due to fraud?

☐ Yes (Document on Part IV)

☐ No

Comments:

CITY Sample City

June 30, 2008

AUDIT STRATEGY
RISK ASSESSMENT

C. Others Interviewed:

Name	Title	Date
_____	_____	_____
_____	_____	_____
_____	_____	_____

1. Inquire of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. Describe.

2. Did information arise from inquiries of others that should be considered further in identifying risks of material misstatement due to fraud?

_____ Yes (Document on Part IV)

_____ No

Comments:

CITY Sample City

June 30, 2008

AUDIT STRATEGY
RISK ASSESSMENT

D. Audit Committee or Equivalent Personnel Interviewed:

Name	Title	Date
<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>

1. Where applicable, inquire of the audit committee or its equivalent, or at least its chair, about (1) its views about the risks of fraud, (2) whether it has knowledge of any actual fraud or suspected fraud, and (3) how it exercises its oversight of the government's assessment of risks of fraud and the programs and controls the government has adopted to mitigate those risks. Describe.

2. Did information arise from inquiries of audit committee or equivalent personnel that should be considered further in identifying risks of material misstatement due to fraud?

☐ Yes (Document on Part IV)

☐ No

Comments:

CITY Sample City

June 30, 2008

AUDIT STRATEGY
RISK ASSESSMENT

E. Internal Audit Personnel Interviewed:

Name	Title	Date
<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>

1. Where applicable, inquire of internal audit personnel about: (1) their views of the risks of fraud, (2) any procedures they performed to identify or detect fraud during the period under audit, (3) management's response to the findings, and (4) whether they have knowledge of any actual fraud or suspected fraud. Describe.

2. Did information arise from inquiries of internal audit personnel that should be considered further in identifying risks of material misstatement due to fraud?

☐ Yes (Document on Part IV)

☐ No

Comments:

CITY Sample City

June 30, 2008

**AUDIT STRATEGY
RISK ASSESSMENT**

QUESTION	YES	NO	N/A	REMARKS
III. FRAUD RISK ASSESSMENT Instructions: Complete the following questions to document your consideration of risk factors that might indicate an increased risk of material misstatement due to fraud. "Yes" answers do not necessarily indicate an increased risk, but should be considered when assessing the risk of <u>material</u> misstatement due to fraud. If fraud risk factors are present, but other controls exist that compensate for that risk, document the mitigating factors in the remarks column.				
RISK FACTORS RELATING TO FRAUDULENT FINANCIAL REPORTING				
A. Incentives/Pressures				
1. Is there significant pressure on meeting performance targets?				
2. Is a significant portion of management's compensation or performance assessment dependent on budgetary goals, program results, or other incentives?				
3. Do unrealistic performance targets exist?				
4. Were there numerous significant budget modifications in prior periods?				
5. Is there a lack of formal budgeting policies and procedures?				
6. Is the current management unable to make reasonable estimates of tax revenues, expenditures, or cash requirements?				
7. Has the credit rating for the government's securities been downgraded by an independent agency since the prior period?				
8. Do individuals outside of management or the governing body have substantial influence over the operations of one or more governmental units?				
9. Has management set unduly aggressive financial targets and expectations for operating personnel?				
10. Is the government subject to new accounting, statutory, or regulatory requirements that could impair its operating efficiency or financial stability?				
11. Is the government experiencing rapid changes, such as rapid changes in technology or rapid changes in citizen's service expectations?				
12. Is the government experiencing a poor or deteriorating financial condition (for example, a declining tax base, declining economy, or other anticipated loss of revenue sources)?				
13. Is the government having difficulty generating cash flows from operating activities?				

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**AUDIT STRATEGY
RISK ASSESSMENT**

QUESTION	YES	NO	N/A	REMARKS
14. Has the government experienced unusually rapid growth or improved financial results, especially when compared to other governments?				
15. Is the government highly vulnerable to changes in interest rates?				
16. Is the government unusually dependent on debt financing?				
17. Do the government's financing agreements have debt covenants that are difficult to maintain?				
18. Is the government facing the threat of imminent bankruptcy?				
19. Is there significant pressure to obtain additional funding to maintain services?				
20. Is there a high degree of competition for federal or state awards?				
21. Is there declining federal and state program funding levels on a national or regional level?				
22. Is there a declining number of eligible participants, benefit amounts, and/or enrollments in award programs?				
23. Is there complex or frequently changing compliance requirements?				
24. Is there a mix of fixed price and cost reimbursable program types that create incentives to shift costs?				
B. Opportunities				
1. Is management dominated by a single individual or a small group without compensating controls, such as effective oversight by the governing body?				
2. Does the governing body or management lack understanding or experience regarding the operation or responsibilities of the government?				
3. Are internal controls inadequately monitored by management?				
4. Has management continued to employ ineffective accounting or IT (information technology) personnel?				
5. Has there been a high turnover in management level employees, bankers, attorneys, or auditors?				
6. Does the level of communication between accounting managers and data processing or IT departments appear to be inadequate?				
7. Are assets, liabilities, revenues, and expenditures or expenses based on significant estimates that involve unusually subjective judgments or uncertainties or that could significantly change in the near term in a manner that may be financially disruptive?				

CITY Sample City

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**AUDIT STRATEGY
RISK ASSESSMENT**

QUESTION	YES	NO	N/A	REMARKS
<p>8. Does the government engage in significant related party transactions not in the ordinary course of business (including transactions with related governments that are unaudited or audited by another firm)?</p> <p>9. Does the government have unusual or highly complex transactions (particularly those close to year-end) that are difficult to assess for substance over form?</p> <p>10. Does the government have significant bank accounts in locations for which there does not appear to be a clear business justification?</p> <p>11. Does the government have an overly complex organizational structure involving numerous component units, subrecipients, related organizations, lines of managerial authority, or contractual arrangements that do not have an apparent purpose?</p> <p>12. Does the government have significant relationships with other governments that do not appear to have a clear programmatic or business justification?</p> <p>C. Attitudes/Rationalizations</p> <p>1. Were there numerous significant audit adjustments in prior periods?</p> <p>2. Is there an excessive interest by management to meet performance targets through the use of unusually aggressive accounting practices?</p> <p>3. Has management failed to effectively communicate and support the government's values or ethics?</p> <p>4. Has management failed to effectively communicate about inappropriate business practices or ethics?</p> <p>5. Has management failed to correct known significant deficiencies in internal control on a timely basis?</p> <p>6. Has management displayed a significant disregard for regulatory requirements, including, when applicable, federal and state award compliance requirements?</p> <p>7. Does management have a poor reputation?</p> <p>8. Does management have a history of violating laws, regulations, debt covenants, contractual obligations, or federal and state award compliance requirements?</p> <p>9. Do non-financial management or personnel excessively participate in the determination of significant estimates or selection of accounting principles?</p> <p>10. Are there frequent disputes on accounting, auditing, or reporting matters between management and the current or predecessor auditor?</p>				

CITY Sample City

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**AUDIT STRATEGY
RISK ASSESSMENT**

QUESTION	YES	NO	N/A	REMARKS
11. Has management made unreasonable demands on the auditor, such as unreasonable time constraints on completion of the audit or an excessive emphasis on reducing the audit fee?				
12. Has management placed restrictions on the auditor (formal or informal) that inappropriately limit access to people or information (or inappropriately limit communication with the governing body or audit committee)?				
13. Has management failed to respond to specific inquiries or to volunteer information regarding significant or unusual transactions?				
14. Has there been domineering behavior by management, especially involving attempts to influence the scope of the auditor's work?				
15. Are there other situations indicating a strained relationship between management and the current or predecessor auditor?				
16. Could the government face adverse consequences on a significant pending transaction (such as issuance of debt or receipt of a grant) if poor financial results are reported?				
17. Does the government have significant investments in high-risk financial investments?				
18. Are there any known personal difficulties or other influences in the lives of management that could adversely affect their integrity, attitude, or performance?				
19. Do other conditions exist that indicate incentives/pressures, opportunities, or attitudes/rationalizations for management to engage in fraudulent financial reporting?				

Do conditions exist that indicate there may be incentives/pressures, opportunities, or attitudes/rationalizations for management to intentionally misstate the financial statements?

☐ Yes (Document on Part IV)

☐ No

Comments:

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CITY Sample City

June 30, 2008

**AUDIT STRATEGY
RISK ASSESSMENT**

QUESTION	YES	NO	N/A	REMARKS
<u>RISK FACTORS RELATING TO MISAPPROPRIATION OF ASSETS</u>				
A. Incentives/Pressures				
1. Are there any indications that management or employees with access to cash or other assets susceptible to theft have personal financial obligations that may create pressure to misappropriate assets?				
2. Are there any conditions that may create adverse relationships between the government and employees with access to cash or other assets susceptible to theft, such as the following:				
a. Known or anticipated future employee layoffs?				
b. Recent or anticipated changes to employee compensation or benefit plans?				
c. Promotions, compensation, or other rewards inconsistent with expectations?				
B. Opportunities				
1. Does the government maintain or process large amounts of cash?				
2. Is the government's inventory easily susceptible to misappropriation (such as small size, high value, or high demand)?				
3. Does the government have assets that are easily convertible to cash (such as bearer bonds, etc.)?				
4. Does the government have capital assets that are easily susceptible to misappropriation (such as small size, portability, marketability, lack of ownership identification, etc.)?				
5. Is the government susceptible to fraudulent, unauthorized disbursements (such as vendor or payroll disbursements) being made in amounts that are material to the financial statements?				
6. Is there a lack of management oversight over assets susceptible to misappropriation?				
7. Does the government lack job applicant screening procedures when hiring employees with access to assets susceptible to misappropriation?				
8. Does the government have inadequate record keeping over assets susceptible to misappropriation?				
9. Is there a lack of appropriate segregation of duties that is not mitigated by other factors (such as management oversight)?				
10. Does the government lack an appropriate system for authorizing and approving transactions (for example, in purchasing or payroll disbursements)?				

CITY Sample City

June 30, 2008

**AUDIT STRATEGY
RISK ASSESSMENT**

QUESTION	YES	NO	N/A	REMARKS
<p>11. Are there poor physical safeguards over assets susceptible to misappropriation (for example, inventory not stored in a secured area, cash or investments kept in unlocked drawers, etc.)?</p> <p>12. Is there a lack of timely and appropriate documentation for transactions affecting assets susceptible to misappropriation?</p> <p>13. Is there a lack of mandatory vacations for employees in key control functions?</p> <p>14. Does management have an inadequate understanding of information technology which enables information technology employees to perpetrate a misappropriation?</p> <p>15. Are access controls over automated records inadequate (including controls over, and review of, computer system event logs)?</p> <p>C. Attitudes/Rationalizations</p> <p>1. Do employees who have access to assets susceptible to misappropriation show:</p> <p>a. Disregard for the need for monitoring or reducing risks related to misappropriation of assets?</p> <p>b. Disregard for internal control over misappropriation of assets by overriding existing controls?</p> <p>c. Disregard for internal control over misappropriation of assets by failing to correct known internal control deficiencies?</p> <p>2. Do employees who have access to assets susceptible to misappropriation exhibit behavior indicating displeasure or dissatisfaction with the government or its treatment of its employees?</p> <p>3. Have you observed any unusual or unexplained changes in behavior or lifestyle of employees who have access to assets susceptible to misappropriation?</p>				

CITY Sample City

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AUDIT STRATEGY
RISK ASSESSMENT

Do conditions exist that indicate there may be incentives/pressures, opportunities, or attitudes/rationalizations for management to intentionally misstate the financial statements?

 Yes (Document on Part IV)

 No

Comments:

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List any additional fraud factors or conditions identified as being present. Additional factors may have been identified through inquiry of management in the entrance conference. Also, document any compensating controls.

--

If improper revenue recognition was not identified as a risk of material misstatement due to fraud, describe the reasons regarding how that presumption was overcome.

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CITY Sample City

June 30, 2008

AUDIT STRATEGY
RISK ASSESSMENT

IV. RESPONSE TO RISKS

The way the auditor responds to the risks identified during the risk assessment process depends on the nature and significance of the risks identified and on the government's programs and controls that address such risks. The auditor should take into account the various risk assessment procedures performed including preliminary analytical procedures, brainstorming session, information obtained about the entity and its environment including internal controls, fraud risk considerations and any other sources providing information about relevant risks. Auditors respond to the results of the risk assessment in three ways: (1) an overall response as to how the audit is conducted; (2) specific responses involving modification of the nature, timing, and extent of procedures to be performed; and (3) responses to further address the fraud risk of management override of controls.

1. *Overall response to financial statement risks* – Describe overall risks at the financial statement level that may affect many assertions and the planned response to identified risks. Examples of overall risks include weaknesses in the control environment, changes in management, motivation by management to fraudulently misstate the financial statements, etc. Appropriate responses may include: (1) assignment of personnel and supervision, (2) scrutiny of management's selection and application of significant accounting principles, and (3) including an element of unpredictability in audit procedures and tests.

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2. *Specific responses to risks* – If any risks are considered significant, the risk and the auditor's response to the risk should be included in the risk assessment summary form. For less significant risks, describe your specific responses, if any, to identified risks, including modification of the nature, timing, and extent of audit procedures.

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CITY Sample City

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AUDIT STRATEGY
RISK ASSESSMENT

3. *Response to address management override of controls* – Because management override of controls can occur in unpredictable ways, the risk of management override of controls is always an identified fraud risk and the auditor is required to perform certain specified procedures to respond to such risk. These procedures relate to (1) examining journal entries and other adjustments, (2) reviewing accounting estimates for biases, and (3) evaluating the business rationale for significant unusual transactions.

See audit program step L on audit program section Fund Balance

See audit program steps O and P on audit program section Completion of Audit

Incharge	<u></u>	Date	<u></u>
Manager	<u></u>	Date	<u></u>
Independent	<u></u>		
Reviewer	<u></u>	Date	<u></u>

June 30, 2008

[illegible]

June 30, 2008

AUDIT STRATEGY

RISK ASSESSMENT SUMMARY

[illegible]

CITY Sample City

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**AUDIT STRATEGY
RISK ASSESSMENT SUMMARY**

ACCOUNT BALANCE/ CLASS OF TRANSACTION	IDENTIFIED RISKS and RELEVANT ASSERTION(S)	OPINION UNIT(S) AFFECTED	RESPONSE TO RISK and AUDIT APPROACH
Statement of Net Assets / Balance Sheet			
Cash			
Investments			
Taxes Receivable			
Accounts Receivable			
Prepaid Expense			
Inventories			
Capital Assets			
Accounts Payable			
Deferred revenue			
Other liabilities			
Compensated absences			
Long Term Debt			

CITY Sample City

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**AUDIT STRATEGY
RISK ASSESSMENT SUMMARY**

ACCOUNT BALANCE/ CLASS OF TRANSACTION	IDENTIFIED RISKS and RELEVANT ASSERTION(S)	OPINION UNIT(S) AFFECTED	RESPONSE TO RISK and AUDIT APPROACH
Other:			
Statement of Activities / Statement of Revenues, Expenditures and Fund Balance			
Property Tax			
Revenue/Receipts - Intergovernmental			
Revenue/Receipts – Proprietary			
Other Revenue/Receipts			
Expenditures/Disbursements			
Expenditures/Disbursements - Procurement/Credit Cards			
Payroll			
Transfers			
Depreciation			
Financial Reporting (Presentation and Disclosure)			
Other:			

CITY Sample City

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**AUDIT STRATEGY
RISK ASSESSMENT SUMMARY****ASSERTIONS:****Account Balances:**

E = Existence

R = Rights and Obligations

C = Completeness

V = Valuation and Allocation

A = All Assertions

Classes of Transactions:

O = Occurrence

C = Completeness

AC = Accuracy

CO = Cut off

CL = Classification

A = All Assertions

Presentation and Disclosure:

O = Occurrence and Rights and Obligations

C = Completeness

U = Classification and Understandability

V = Accuracy and Valuation

A = All Assertions

CR = Control Risk**RMM = Risk of Material Misstatement****TOC = Test of Controls DR = Detection Risk****Audit Risk is assessed at LOW for all account balances and classes of transactions****OPINION UNITS:****GA** Government Activities**BTA** Business Type Activities

Major Funds:

G General Fund

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

AR Aggregate remaining funds**AD** Aggregate discretely presented component unit**All** All Opinion Units

CITY Sample City**June 30, 2008****AUDIT STRATEGY**
RISK ASSESSMENT SUMMARY**ASSERTION DEFINITIONS:****Account Balances:**

E = Existence – assets, liabilities and equity interests exist.

R = Rights and Obligations – the entity holds or controls the rights to assets, and liabilities are the obligations of the entity.

C = Completeness – all assets, liabilities and equity interests that should have been recorded have been recorded.

V = Valuation and Allocation – assets, liabilities and equity interests have been included in the financial statements at appropriate amounts and any resulting valuation or allocation adjustments are appropriately recorded.

Classes of Transactions:

O = Occurrence – transactions and events that have been recorded have occurred and pertain to the entity.

C = Completeness – all transactions and events that should have been recorded have been recorded.

AC = Accuracy – amounts and other data relating to recorded transactions and events have been recorded appropriately.

CO = Cut off – transactions and events have been recorded in the correct accounting period.

CL = Classification – transactions and events have been recorded in the proper accounts.

Presentation and Disclosure:

O = Occurrence and Rights and Obligations – disclosed events and transactions have occurred and pertain to the entity.

C = Completeness – all disclosures that should have been included in the financial statements have been included.

U = Classification and Understandability – financial information is appropriately presented and described and disclosures are clearly expressed.

V = Accuracy and Valuation – financial and other information are disclosed fairly and at appropriate amounts.

CITY Sample City

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**AUDIT STRATEGY
RISK ASSESSMENT SUMMARY****INHERENT RISK FACTORS:**

1. Prior audit history indicates little or no adjustment required.
2. Prior audit history indicates significant adjustments.
3. Personnel recording transactions are competent and have been performing duties for several years.
4. New personnel/poorly trained personnel.
5. Transactions are relatively simple to record.
6. Transactions require significant calculations prior to recording.
7. Relatively few transactions.
8. Significant accounting estimates required.
9. Low susceptibility to misappropriation.
10. Highly susceptible to misappropriation.
11. Relatively immaterial.
12. Complexity of matters likely to result in misstatement.
13. Stable transaction activity.
14. High fluctuation in timing of activity.
15. Low potential for omitted activity.
16. High potential for omitted activity.
17. Prior audits included insignificant findings or no findings.
18. Prior audits included significant findings.

COMBINED RISK ASSESSMENT AND ALLOWABLE DETECTION RISK:

<u>INHERENT RISK</u>	<u>CONTROL RISK</u>			Combined risk of material misstatement (RMM)
	<u>MAXIMUM</u>	<u>MODERATE</u>	<u>LOW</u>	
HIGH	High	Moderate	Low	
MODERATE	Moderate	Low	Low	
LOW	Low	Low	Low	

<u>COMBINED RISK OF MATERIAL MISSTATEMENT (RMM)</u>	<u>ALLOWABLE DETECTION RISK</u>
HIGH	Low
MODERATE	Moderate
LOW	High

ARE THERE ANY SIGNIFICANT DEFICIENCIES KNOWN AT THE TIME OF PLANNING THAT MAY AFFECT THE PLANNED AUDIT APPROACH? YES NO

If Yes, document the account balance or class of transaction affected and explain

CITY Sample City

June 30, 2008

AUDIT STRATEGY
RISK ASSESSMENT SUMMARY

Planning Approach:

We have documented the material account balances and classes of transactions and identified significant risks, if any, at the relevant assertion level. We have determined and documented the risk of material misstatement, specific responses to the risks identified, an overall audit approach and have modified the audit program procedures accordingly.

Completion - Overall Audit Strategy Conclusion:

We have reviewed the audit procedures performed for each account balance and class of transaction and have determined these procedures agree with and satisfy the planned audit approach.

	Initials and Dates			
	Planning		Completion	
	Initials	Date	Initials	Date
Incharge				
Manager				
Independent				
Reviewer				

CITY Sample City

June 30, 2008

AUDIT STRATEGY
SINGLE AUDIT

- 1) Determine Type A vs. Type B programs using the Program Identification form.
- 2) Determine the risk classification of Type A and primary Type B programs using the Risk Assessment form. The auditor is not required to perform a risk assessment of relatively small Type B programs.
- 3) Identify major programs and determine if the percentage of coverage rule has been met using the bottom of the Determination of Major Programs form.

Major programs must account for at least 50% of total expenditures of federal awards unless the entity is low-risk, in which case, only 25% needs to be met.* The entity is considered low risk if, for each of the prior two years, all of the following conditions have been met:

- A Single audit is performed on an annual basis.
- Unqualified opinions on the financial statements and Schedule of Expenditures of Federal Awards were issued**
- No material weaknesses in internal control under the requirements of Government Auditing Standards (relating to the financial statements) were noted.**
- No internal control deficiencies identified as material weaknesses were noted for all Type A programs.
- No material non-compliance was noted for all Type A programs.
- There were no known or likely questioned costs exceeding 5% of the program's expenditures for all Type A programs.

*The auditee may have one or more non-low-risk Type A *programs* and still qualify as a low-risk *entity*, as long as all Type A programs meet the criteria listed. However, all non-low-risk Type A programs must be audited as major programs even if the 25% rule of coverage is met by only a portion of the non-low-risk Type A programs.

**However, a waiver that allows the entity to be identified as low-risk may be provided by the cognizant or oversight agency if they judge that an opinion qualification or any identified material weaknesses does not affect the management of Federal awards.

CITY Sample City

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**AUDIT STRATEGY
SINGLE AUDIT****PROGRAM IDENTIFICATION**

					Type B	
Federal Program	CFDA #	Federal Awards Expended	% of Total Federal Awards Expended	Type A Program (X)	Primary Program (X)	Relatively Small Program (X)
TOTAL						

Determine the appropriate amounts to be used as program thresholds:

Type A programs equal the \$ _____ Primary Type B programs equal \$ _____
 greater of \$300,000 or 3% of x 3% the greater of \$100,000 or .3% x .3%
 total federal expenditures. \$ _____ of total federal expenditures. \$ _____

Relatively small Type B programs are less than the greater of \$100,000 or .3% of total federal expenditures.

NOTE: A Single Audit is not required if total federal expenditures are less than \$500,000.

CITY Sample City

June 30, 2008

AUDIT STRATEGY
TYPE A AND PRIMARY TYPE B PROGRAM RISK ASSESSMENT

Program Name:
CFDA #
Program Type:
Last FY Reviewed **

A / B	A / B	A / B	A / B	A / B	A / B	A / B

Current and Prior Experience:

Program was audited as a major program in one of the last two years. (1)

No significant deficiencies or material instances of non-compliance were noted in the most recent audit period. (1)

Persons administering program are experienced and appear competent.

Monitoring of subrecipients is adequate.

Computer systems used for processing are established and adequate.

Prior audit findings have been corrected. (2)

Y / N	Y / N	Y / N	Y / N	Y / N	Y / N	Y / N
Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA
Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA
Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA
Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA
Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA

Oversight (Federal and/or Pass-through entities):

Recent monitoring reviews were performed and noted no significant problems.

OMB has not identified the program as a high risk or non-low-risk program in the Compliance Supplement.

Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA
Y / N	Y / N	Y / N	Y / N	Y / N	Y / N	Y / N

Inherent Risk:

Nature of program is not complex.

There are no eligibility criteria or third party contracts.

There hasn't been significant changes in federal regulations or contract provisions.

Program has been on-going (not the first or last year of the program).

Program's Inherent Risk (High, Moderate, Low)

Y / N	Y / N	Y / N	Y / N	Y / N	Y / N	Y / N
Y / N	Y / N	Y / N	Y / N	Y / N	Y / N	Y / N
Y / N	Y / N	Y / N	Y / N	Y / N	Y / N	Y / N
Y / N	Y / N	Y / N	Y / N	Y / N	Y / N	Y / N

Internal Control Consideration:

Assessed level of risk based on evaluation of internal controls for prior year. (Max / Slt / Mod / Low)

--	--	--	--	--	--	--

Overall Risk Analysis:

Low Risk (Type A or B Programs)						
Non-Low Risk (Type A Programs Only)						
High Risk (Type B Programs Only)						

(1) - This criteria must be met in order to consider a Type A program low-risk.

(2) - Auditors should use their judgment. Audit findings from prior year do not preclude the program from being low risk.

** - A-133 states in part that for a Type A program to be considered low-risk, it shall have been audited as a major program in at least one of the two most recent audit periods. This ensures that all Type A programs are tested as major at least once every three years.

Note: Except for known significant deficiencies in internal control or compliance problems, a single criteria would seldom cause a Type B program to be considered high-risk.

CITY Sample City

June 30, 2008

AUDIT STRATEGY
SINGLE AUDIT
DETERMINATION OF MAJOR PROGRAMS

In order to determine major programs, complete the following steps:

- Enter Type A programs and their risk analysis from the Risk Evaluation form. For non low-risk programs only, enter their percentage of total federal expenditures (from the Program Identification form) in the far right column. If there are no low-risk Type A programs, then determine if total percentage of non low-risk Type A programs exceeds the percent of coverage rule. If it exceeds the minimum percentage required, the determination of major programs is complete.
- Enter primary Type B programs and their risk analysis from the Risk Evaluation form. Select at least half of the Type B programs that were determined to be high risk (may be limited to the number of low-risk Type A programs.) For each high-risk Type B program selected, enter its percentage of total federal expenditures (from the Program Identification form) in the far right column. When identifying which high-risk Type B programs to test as major, the auditor is encouraged to use an approach which provides an opportunity for different high-risk Type B programs to be audited as major over a period of time.
- Determine if the total percentages from these two steps exceed the percent of coverage rule. If it exceeds the minimum percentage required, then the determination of major programs is complete. If the minimum percentage is not met, include additional programs as necessary to meet the percentage of coverage rule.
- For each major program, document the inherent risk from the previous page. If a risk assessment was not required, determine the inherent risk based on the criteria from the previous page.

A B	Federal Program	CFDA #	Non Low- Risk	Low- Risk	High- Risk	% of Total Expenditures of Federal Awards	Major Program Inherent Risk
	TOTAL						

50% Rule applicable ☐25% Rule applicable ☐

June 30, 2008

AUDIT STRATEGY SINGLE AUDIT

Identify applicable requirements for each major program.

Major Programs:

CFDA#:

Common Requirements:

- A. Activities allowed or unallowed
- B. Allowable costs / Cost principles
- C. Cash Management
- D. Davis-Bacon Act
- E. Eligibility
- F. Equipment and Real Property Management
- G. Matching, Level of Effort, Earmarking
- H. Period of Availability of Federal Funds
- I. Procurement and Suspension and Debarment
- J. Program Income
- K. Real Property Acquisition/Relocation Assistance
- L. Reporting
- M. Subrecipient Monitoring
- N. Special Tests and Provisions

CITY Sample City**June 30, 2008****PLANNING CONFERENCE**
ENTRANCEIN ATTENDANCE:

<u>City</u>		<u>Auditor</u>	
Name	Title	Name	Title
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

ItemsDiscussion

A. Scope of Audit:

1. Period to be audited.
2. Basis of accounting.
3. Objectives of audit.
4. Funds to be audited (including component units).
5. Federal programs.
6. Additional audit requirements.
7. Reports to be issued.
8. Nonaudit services to be performed and independence restrictions.
9. The audit will be conducted in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and Government Auditing Standards, issued by the Comptroller General of the United States.

B. Timing of:

1. Fieldwork.
2. Release of report.

C. Availability of records.

D. Working space arrangements, if applicable.

E. Extent of internal audit/other client assistance.

CITY Sample City

June 30, 2008

PLANNING CONFERENCE
ENTRANCE

Discussed?

F. Auditor's responsibilities for:

1. Obtaining an understanding, testing and reporting on internal controls and compliance with laws and regulations (discussion of par. 4.07 of Government Auditing Standards may be helpful).
2. Discovering and reporting contractual compliance violations and questioned costs.
3. Obtaining reasonable, not absolute assurance that the financial statements are free of material misstatement, whether caused by error or fraud. Accordingly, a material misstatement may remain undetected. Also, an audit is not designed to detect error or fraud that is immaterial to the financial statements.
4. Communicating certain matters to audit committee, entity contracting the audit or other party responsible for oversight. (Identify audit committee or other party, if one exists.)
5. Communicating with management if auditor becomes aware that the entity is subject to an audit requirement(s) that is not encompassed in the terms of the engagement.

G. Client responsibilities for:

1. Financial statement assertions and management representation letter accepting such responsibilities.
2. Internal controls.
3. Identifying and ensuring the City complies with all laws, rules and regulations that may have a direct and material effect on the financial statement amounts and for disclosing all known instances of non-compliance.
4. Making all financial records and related information available to the auditor.
5. Providing auditor with representation letter at completion of audit including an affirmation that uncorrected misstatements are immaterial.
6. Adjusting the financial statements to correct material misstatements.
7. Preparing required supplementary information (RSI), including management's discussion and analysis (MD&A), and other supplementary information. (if applicable)

CITY Sample City**June 30, 2008****PLANNING CONFERENCE**
ENTRANCE

- | <u>Items</u> | <u>Discussion</u> |
|--|-------------------|
| H. Status of prior year's audit comments. | |
| I. Personnel changes. | |
| J. Accounting problems during the year. | |
| K. Pending litigation. | |
| L. Significant accounting policies. | |
| M. Extent of computerized books and records. | |
| N. Related party/business transactions. | |
| O. Potential component units, including changes from the prior year and entities which the City is acting as a fiscal agent. | |
| P. 28E Organizations in which the City is a participant. | |
| Q. Understanding of fee and billing arrangements. | |
| R. Additional items for audit planning: | |
| 1. New capital projects or completion of projects from prior year. | |
| 2. New grants or completion of grants from prior year. | |
| 3. New revenue sources such as special assessments, local option sales tax, etc. | |
| 4. Debt issuances or refunding/retirement of debt. | |
| 5. Significant changes in City's budget plan from prior year and significant amendments to City's current year budget. | |
| 6. Others. | |

CITY Sample City

June 30, 2008

PLANNING CONFERENCE
ENTRANCE

- | <u>Items</u> | <u>Discussion</u> |
|---|-------------------|
| S. GASB Statements 43/45 implementation requirements (See separate OPEB planning conference form in GF-2 section) | |
| T. GASB 34 – Inquire as to whether any funds have been identified as discretionary major funds. | |
| U. Inquire of management about their understanding of the risk of material misstatement due to fraud and whether they have knowledge of fraud that has occurred. | |
| V. Inquire of management about the existence of a program for preventing, deterring or detecting fraud. If a program exists, determine if fraud risk factors have been identified. | |
| W. Inform management about the auditor's responsibilities to inquire of them and others about fraud risk factors relating to financial reporting and misappropriation of assets throughout the audit in accordance with SAS 99. | |
| X. Inquire of management about the existence of any known limitations on the audit. | |
| Y. Other Discussion items | |
| Z. Discuss the views of <u>those charged with governance</u> about the following items: | |
| 1. The appropriate person in the City's governance structure with whom to communicate. | |
| 2. The allocation of responsibilities between those charged with governance and management. | |
| 3. The City's objectives and strategies, and the related business risks that may result in material misstatements. | |
| 4. Matters considered to warrant particular attention during the audit and any areas where they request additional procedures be undertaken. | |
| 5. Significant communications with regulators. | |
| 6. Other matters relevant to the audit of the financial statements. | |

CITY Sample City

June 30, 2008

PLANNING CONFERENCE
ENTRANCE

<u>Items</u>	<u>Discussion</u>
7. The attitudes, awareness and actions of those charged with governance concerning:	
a) the City's internal control and its importance in the City;	
b) how those charged with governance oversee the effectiveness of internal control;	
c) the detection or the possibility of fraud.	
8. The actions of those charged with governance in response to developments in financial reporting, laws, accounting standards and other related matters.	
9. The actions of those charged with governance in response to previous communications with the auditor.	

Acknowledgement*:

_____ Mayor or City Administrator	_____ Date
_____ Audit Committee or Council	_____ Date
_____ City Clerk/Finance Director	_____ Date

* Audit standards require the auditor to communicate the responsibilities for the engagement and discuss other items with the officials listed. The next pages can be used to make the required communications to any of the officials who were not present at the entrance conference.

CITY Sample City

June 30, 2008

COMMUNICATION WITH AUDITEE OFFICIALS

Audit standards require we communicate the following information to you as
 _____ **(title) of** _____ **(entity):**

AUDITOR'S RESPONSIBILITIES:

1. Obtain an understanding, test and report on internal controls and compliance with laws and regulations:

Tests of internal control over financial reporting and compliance with laws, regulations, and provisions of contracts or grant agreements in a financial statement audit contribute to the evidence supporting the auditors' opinion on the financial statements or other conclusions regarding financial data. However, such tests generally are not sufficient in scope to opine on internal control over financial reporting or compliance with laws, regulations, and provisions of contracts or grant agreements.

2. Discover and report significant contractual compliance violations and questioned costs.
3. Obtain reasonable, not absolute, assurance that the financial statements are free of material misstatement, whether caused by error or fraud. Accordingly, a material misstatement may remain undetected. Also, an audit is not designed to detect error or fraud that is immaterial to the financial statements. Express opinions on the financial statements based on our audit.
4. Communicate certain matters to audit committee, entity contracting the audit or other party responsible for oversight.
5. Communicate with management if auditor becomes aware that the entity is subject to an audit requirement(s) that is not encompassed in the terms of the engagement.

ENTITY'S RESPONSIBILITIES:

1. Accept responsibility for financial statement assertions and sign a management representation letter accepting these responsibilities. The financial statement assertions are: existence or occurrence; completeness; rights and obligations; valuation and allocation; presentation and disclosure.
2. Maintain a system of internal control.

Internal control is defined as a process effected by an entity's governing board, management and other personnel designed to provide reasonable assurance regarding achievement of objectives in the following categories: (a) reliability of financial reporting, (b) effectiveness and efficiency of operations, and (c) compliance with applicable laws and regulations.

3. Identify and ensure the entity complies with all laws, rules and regulations that may have a direct and material effect on the financial statement amounts and for disclosing all known instances of non-compliance.
4. Make available all financial records and related information.
5. Provide auditor with signed management representation letter at completion of audit including an affirmation that uncorrected misstatements are immaterial.
6. Adjust the financial statements to correct material misstatements.
7. Prepare required supplementary information (RSI), including management's discussion and analysis (MD&A), and other supplementary information, if applicable.

CITY Sample City

June 30, 2008

COMMUNICATION WITH AUDITEE OFFICIALS

Audit standards require certain items be discussed with those charged with governance.

ItemsDiscussion

Discuss the views of those charged with governance about the following items:

1. The appropriate person in the City's governance structure with whom to communicate.
2. The allocation of responsibilities between those charged with governance and management.
3. The City's objectives and strategies, and the related business risks that may result in material misstatements.
4. Matters considered to warrant particular attention during the audit and any areas where they request additional procedures be undertaken.
5. Significant communications with regulators.
6. Other matters relevant to the audit of the financial statements.
7. The attitudes, awareness and actions of those charged with governance concerning:
 - a) the City's internal control and its importance in the City;
 - b) how those charged with governance oversee the effectiveness of internal control;
 - c) the detection or the possibility of fraud.
8. The actions of those charged with governance in response to developments in financial reporting, laws, accounting standards and other related matters.
9. The actions of those charged with governance in response to previous communications with the auditor.

Acknowledgement:

Representative _____

Date _____

CITY Sample City

June 30, 2008

OPEB PLANNING CONFERENCE
Cash Basis

IN ATTENDANCE:

<u>City</u>		<u>Auditor</u>	
Name	Title	Name	Title

(A) Explain OPEB to the auditee

- Discussion should include implicit rate subsidy OPEB which will apply to most cities

(B) Determine and document whether the City has an OPEB:

- City and auditor should review policies, union contracts, employment contracts, retirement plans, etc.
Check applicable items below:

_____ City has an explicit OPEB – briefly describe plan

_____ City has an implicit OPEB

- This will apply to all cities that provide health/medical benefits to current (active) employees
- Will apply in most cities

_____ City does not have an OPEB **(not likely an option, see implicit OPEB above)**(C) If the City has an OPEB (explicit, implicit or both), determine and document when the City must implement the provisions of GASB Statement 45. **Check applicable item below:**

- Phased-in implementation – based on applicable GASB Statement 34 implementation phase:

_____ Phase I – fiscal 2008

- Fiscal 1999 revenues of \$100 million or more

_____ Phase II – fiscal 2009

- Fiscal 1999 revenues of at least \$10 million, but less than \$100 million

_____ Phase III – fiscal 2010

- Fiscal 1999 revenues less than \$10 million

CITY Sample City

June 30, 2008

OPEB PLANNING CONFERENCE
Cash Basis

- (D) If the City has an OPEB (explicit, implicit or both), they may, but are not required to, obtain an actuarial valuation. **Check applicable item below:**

_____ City intends to obtain an actuarial valuation for management information only, with no intention to disclose the actuarially determined OPEB liability and related amounts (i.e., ARC, UAAL, etc...).

- ◆ In this situation, the City must still disclose the required information discussed in (G) below.

_____ City intends to obtain an actuarial valuation with the intention of disclosing the actuarially determined OPEB liability and related amounts.

- ◆ Include information from the actuarial valuation (i.e., ARC, UAAL, etc) in the City's OPEB footnote disclosure in the applicable implementation year.
- ◆ For consistency, once this information is disclosed, City should continue to obtain actuarial valuations in accordance with (E) below so information can be disclosed each audit year.

_____ City does not intend to obtain an actuarial valuation.

- ◆ Disclose the required information discussed in (G) below.

- (E) If the City has an OPEB (explicit, implicit or both) and chooses to obtain an actuarial valuation, document how often a valuation should be obtained using the following guidance from GASB Statement 45:

- Actuarial valuation requirements – **check the option that applies:**

_____ For plans with total membership of 200 or more

- Valuation must be acquired at least biennially (every two years)

_____ For plans with total membership of less than 200

- Valuation must be acquired at least triennially (every three years)

_____ For plans with total membership of less than 100

- City allowed to use an Alternative Measurement Method to determine required information.
- Discuss feasibility of the Alternative Measurement Method

_____ Check here if City plans to pursue using this method

- **NOTE:** New valuation should be performed if, since the previous valuation, significant changes have occurred that would affect the results of the valuation (changes in benefit provisions, size or composition of population covered, medical trend rates)

CITY Sample City

June 30, 2008

OPEB PLANNING CONFERENCE
Cash Basis

- (F) If the City chooses to obtain an actuarial valuation, discuss when the City should begin the process of obtaining the valuation:
- For entities required to implement in fiscal 2009 – start **early FY09**
 - Actuarial valuation must be completed (dated) no more than 24 months prior to the start of the period covered by the valuation (not even one day sooner).
 - Where to locate an actuary:
 - ◆ Iowa Insurance Division lists actuaries currently performing in the State of Iowa
 - http://www.iid.state.ia.us/about_us/ProductReg/LifeHealth/docs/509a-act.htm
 - Discuss possible use of RFP process for procuring an actuary
- (G) Regardless of whether the City chooses to obtain an actuarial valuation, certain minimum information should be disclosed regarding the City's OPEB, including:
- Plan description
 - Plan participation (plan membership – see (H) below)
 - Legal or contractual contribution requirements
- (H) Determining plan membership – sum of the following:
- Employees in active service (those that will draw a benefit from the plan)
 - Terminated employees who have accumulated benefits but are not yet receiving them
 - Retired employees and beneficiaries of deceased retirees currently receiving benefits
- (I) Discuss implementation requirements for component units, if any.
- Component units (CU) must implement in the same year as the primary government (PG)
 - Blended CU – may be included in the PG actuarial valuation. Actuarially determined OPEB liability and related amounts may be blended with the PG information/amounts.
 - Discrete CU – may be included in the PG actuarial valuation. Discrete CU's proportionate share of the actuarially determined OPEB liability and related amounts must be determined for separate reporting.
- (J) Discuss effect on audit opinion if City does not implement GASB Statement 45.
- Qualified or adverse opinion on financial statements
- (K) Discuss potentially adverse effect on bond rating

Acknowledgement:

Finance Director or City Clerk_____
Date

CITY Sample City**June 30, 2008****PLANNING CONFERENCE**
MANAGER

Date: _____

Time: _____

ItemsDiscussion

- A. Last year's items for next year's audit.
- B. Significant findings from audit planning.
- C. Single Audit requirements, if applicable.
- D. Results of obtaining an understanding of internal controls.
- E. Nonaudit services to be performed and results of evaluation of Independence impairment.
- F. Significant audit program modifications.
- G. Risk assessment summary (RAS) including planned audit approach.
- H. Audit time budget:
 - 1. Timing of fieldwork.
 - 2. Staff scheduling.
 - 3. Budget variances.
- I. Other.

Copy of planning conference and RAS summary provided to Deputy

Deputy _____ Date _____

June 30, 2008

[illegible]

CITY Sample City**June 30, 2008****FINANCIAL STATEMENT ASSERTIONS****ASSERTION DEFINITIONS:****Account Balances:**

- (1) Existence – assets, liabilities and equity interests exist.
- (2) Rights and Obligations – the entity holds or controls the rights to assets, and liabilities are the obligations of the entity.
- (3) Completeness – all assets, liabilities and equity interests that should have been recorded have been recorded.
- (4) Valuation and Allocation – assets, liabilities and equity interests have been included in the financial statements at appropriate amounts and any resulting valuation or allocation adjustments are appropriately recorded.

Classes of Transactions:

- (5) Occurrence – transactions and events that have been recorded have occurred and pertain to the entity.
- (6) Completeness – all transactions and events that should have been recorded have been recorded.
- (7) Accuracy – amounts and other data relating to recorded transactions and events have been recorded appropriately.
- (8) Cut off – transactions and events have been recorded in the correct accounting period.
- (9) Classification – transactions and events have been recorded in the proper accounts.

Presentation and Disclosure:

- (10) Occurrence and Rights and Obligations – disclosed events and transactions have occurred and pertain to the entity.
- (11) Completeness – all disclosures that should have been included in the financial statements have been included.
- (12) Classification and Understandability – financial information is appropriately presented and described and disclosures are clearly expressed.
- (13) Accuracy and Valuation – financial and other information are disclosed fairly and at appropriate amounts.

CITY Sample City

June 30, 2008

TRIAL BALANCE

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objective and Related Assertion:					
A. Provide a document which links the report or financial statements to supporting workpapers (12).					
Audit Procedures:					
A. Obtain or prepare working trial balances by fund type, function, fund and objective class as needed. If prepared by auditor, determine that independence will not be impaired.	A				
1. A separate trial balance should be prepared for each fund.					
2. Account classifications should be minimized and consistent with the GASB Codification and/or the sample report.					
3. Foot the working trial balances to verify their accuracy, if applicable.					
4. Document the source of the information for the beginning balance amounts.	A				
B. Record reclassifications as necessary.					
1. The reclassification entries should be consolidated on a separate page, lettered, briefly explained or described and referenced to supporting workpapers if possible.					
2. Obtain and document City's concurrence for reclassification entries.					
3. Document any reclassifications of transactions or other adjustments on the appropriate lead sheets in the working papers.	A				
C. Reference the amounts to supporting workpapers. (The adjusted trial balance amounts should be referenced to supporting working papers.)					
D. If necessary, detail receipts, disbursements and fund balances directly from City ledger cards to draft audit report.	A				
E. Prepare entity-wide trial balances for government and business type activities.					
1. Review receipt classifications for proper reporting on entity-wide statement.					
2. Allocate Internal Service Funds net profit/loss on the entity-wide statements to the functions that benefited from the services provided.					
3. Eliminate interfund governmental activity including transfers.					

TRIAL BALANCE

[illegible]

CITY Sample City

June 30, 2008

CASH

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives and Related Assertions: A. Cash balances as stated in the financial statements is on hand, in transit, or on deposit with third parties (depositories) in the name of the City. (1,2) B. All cash of the City is included in the financial statements/fund balance. (3) C. Cash balances reflect a proper cut-off of receipts and disbursements, and are stated at the correct amounts. (4,7,9) D. Cash balances are presented by fund type, and adequate disclosure is made of restricted, pledged or committed funds. (10,11,12,13) Audit Procedures: A. Cash On Hand 1. Determine locations, custodians and amount of all cash funds and select funds to be counted. (Coordinate with examination of investments on hand, in separate audit program section.) 2. For funds selected, count and list all cash and cash items. Obtain client’s signature for return of cash. 3. Reconcile total with established balance. 4. Determine and document reason for any unusual items such as employee and officials checks. 5. Ascertain reason for holding checks not deposited immediately. 6. Determine that all checks were properly endorsed. 7. Determine frequency of petty cash replenishment. 8. Determine petty cash payments are reasonable and authorized. B. Undeposited Receipts 1. If there is a significant amount of undeposited receipts, determine whether prenumbered receipts were prepared and that subsequent deposit agrees with books and bank. 2. Obtain explanations for variances and document findings/conclusions. C. Cash In Bank 1. Confirm ending bank balances and authorized check,signers. 2. Confirm beginning bank balances if the City was not audited the preceding year. 3. Ascertain and document that confirmed, authorized check signers are current employees who should sign checks.					
	A,B,C				
	A,C				
	A,B,C				

CITY Sample City

June 30, 2008

CASH

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>4. If appropriate, request a cut-off bank statement and related paid checks directly from the bank for ____ days following year-end.</p> <p>5. If cut-off bank statements were not received, obtain bank statement and paid checks for the month immediately following year-end and perform these procedures:</p> <p>a. Scrutinize bank statement for erasures and prove mathematical accuracy of statement (withdrawals equal opening balance plus deposits minus closing balance.)</p> <p>b. Ascertain that the total of paid checks and debit memos equal total withdrawals per bank statements.</p> <p>c. Examine the paid date of each check to ascertain that the check was paid by the bank during the period covered by the bank statement.</p> <p>d. Ascertain that the opening balance equals the closing balance from the previous bank statement.</p> <p>6. Obtain or prepare bank reconciliations for bank accounts as of year-end.</p> <p>a. If prepared by client, foot bank reconciliation.</p> <p>b. Reconcile bank balances with book balances.</p> <p>c. Obtain or prepare a list of outstanding checks at the end of the period under audit. Include check number, amount and date written for each listed check.</p> <p>d. Verify, on a test basis, that listed outstanding checks cleared the bank after June 30.</p> <p>e. For outstanding checks over \$_____ which did not clear the bank by July 31, examine supporting documentation and list payee. Ascertain and document subsequent disposition.</p> <p>f. Determine whether the City is writing and holding checks at June 30. Comment accordingly.</p> <p>1) Determine whether amount is material.</p> <p>2) Obtain City's concurrence to adjust or determine if opinion should be modified.</p> <p>g. Trace all deposits in transit to subsequent bank statement and document the date deposited per books and per bank.</p> <p>h. Determine and document the propriety of other reconciling items.</p> <p>7. Trace transfers between banks, including money market accounts, for five days on both sides of statement date by:</p>	C				
	A,B,C				
	C				

CASH

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>a. Preparing a schedule detailing each transfer check, recording the amount, check number, date disbursed per books and per bank, date received (deposited) per books and per bank.</p> <p>b. Reviewing the schedule to determine that the receipt (deposit) and disbursement side of each transfer are recorded in the proper period.</p> <p>8. Determine the propriety of any cash pledged as collateral or otherwise restricted.</p> <p>9. Determine extent of use of wire transfers. Perform procedures as necessary.</p> <p>10. Determine that stamped warrants were included as program disbursements at the time of issuance, rather than at the time of redemption.</p> <p>D. Determine if risk of material misstatement due to fraud or error has changed based on results of substantive tests performed. If so, perform appropriate procedures.</p> <p>E. Determine whether cash balances are properly classified and disclosures are adequate.</p>	<p>A</p> <p>D</p>				

CASH

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<u>ALTERNATE/ADDITIONAL PROCEDURES:</u>					
<u>CONCLUSION:</u>					
We have performed procedures sufficient to achieve the audit objectives for cash, and the results of these procedures are adequately documented in the accompanying workpapers.					
Incharge _____ Date _____					
Manager _____ Date _____					
Independent Reviewer _____ Date _____					

CITY Sample City

June 30, 2008

INVESTMENTS

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives and Related Assertions:					
A. Investment balances are evidenced by securities or other appropriate legal documents either physically on hand or held in safekeeping by others and include all the City's investments. (1,2,3)					
B. Investment values, income, gains or losses are stated correctly and allocated properly to funds. (4,7,9)					
C. Investments are properly described and classified in the financial statement and related disclosures, including restrictions and commitments, are adequate. (10,11,12,13)					
Audit Procedures:					
A. Obtain or prepare a schedule of all investment transactions for the year including investments owned as of year-end. For U.S. Government securities, the schedule should list the par value of the security in addition to its cost.					
1. Test mathematical accuracy and trace balance to the year-end bank reconciliation/books.	A,B				
2. Determine that all investments were recorded.	A				
3. On a test basis, trace collections from sale of investments to cash receipts journal or to rollover investment.	A				
4. Examine investments on hand and trace to schedule or investment record.	A,B				
5. If the City has investments in government securities, sight actual investment certificate if held by the City, or confirm ownership with outside safekeeping agent.	A				
6. Determine that all investments are recorded at cost or, if acquired by gift, at fair value at date of gift. (See Step F below for cash basis cities and Step A for GAAP basis cities. Investments are to be reported at fair value in accordance with GASB 31.)	B				
7. For investments held by the City at the end of the year not able to be inspected because they were sold prior to our audit, vouch sale of investments to supporting documents and trace proceeds to bank deposit. Examination of safekeeping receipts is not sufficient.	A				
B. Confirm investments at the end of the year.	A,B				
C. Determine if a fiduciary relationship exists between the City and the deferred compensation plan which complies with IRC Section 457 plans. (A fiduciary relationship exists if there is a formal trust agreement between the City and the Section 457 plan, the City offers investment advice or the City is involved in the administration of the plan.)	A,B				

CITY Sample City

June 30, 2008

INVESTMENTS

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
1. If a fiduciary relationship exists, the deferred compensation plan assets should be recorded as a Pension Trust Fund, in accordance with GASB 32.					
2. Confirm material deferred compensation plan assets at the end of the year.					
3. If no fiduciary relationship exists, the plan assets should not be displayed on the face of the financial statements and disclosure is not required.					
D. Related Income	B				
1. Recalculate interest on a test basis.					
2. Determine that all June 30 unrecorded interest has been recorded to the credit of the appropriate fund.					
E. Determine propriety of any investments pledged as debt collateral or otherwise restricted.	C				
F. For cash basis cities, prepare a workpaper documenting fair value of investments on hand at June 30 for footnote disclosure.	C				
G. Document other investment information for footnote disclosure in accordance with GASB 40 as follows:	C				
1. Investments on hand at June 30 should be listed by type and include maturities.					
2. Include the appropriate disclosures for the applicable risks:					
a. Credit risk					
b. Custodial credit risk					
c. Concentration of credit risk					
d. Interest rate risk					
e. Foreign currency risk					
H. If the City has stock:	A,B				
1. Determine whether the City bought or was given the stock.					
2. If the stock was acquired through gift, determine the terms and conditions of the gift.					
3. Include pertinent documentation in the permanent file.					
I. If the City has investments in derivatives, determine that appropriate disclosures are made in accordance with FASB 133, SAS 92, FASB 138, FASB 149, and FASB 155.	C				
J. If the City has transferred financial assets or entered into a servicing contract for assets or liabilities, determine that the appropriate disclosures and assets or liabilities are recorded in accordance with FASB 140.	C				

INVESTMENTS

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
K. If the City participates in security lending transaction, determine that the transactions are properly reported and the appropriate disclosures are made in accordance with GASB 28.	C				
L. If the City has investments with no observable market price, determine the method of measurement of fair value and evaluate for propriety in accordance with AU Section 328.	B				
M. Determine if risk of material misstatement due to fraud or error has changed based on results of substantive tests performed. If so, perform appropriate procedures.					
N. Determine whether investments are properly classified and related disclosures are adequate.	C				
<u>ALTERNATE/ADDITIONAL PROCEDURES:</u>					
<u>CONCLUSION:</u>					
We have performed procedures sufficient to achieve the audit objectives for investments, and the results of these procedures are adequately documented in the accompanying workpapers.					
Incharge _____ Date _____					
Manager _____ Date _____					
Independent Reviewer _____ Date _____					

CAPITAL ASSETS

[illegible]

CITY Sample City

June 30, 2008

LONG-TERM DEBT

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives and Related Assertions: A. Debt is authorized, supported, and represents a City obligation. (1,2) B. All indebtedness of the City is identified, recorded and disclosed. (3,11) C. Debt is recorded in the proper fund and/or governmental or business type activities at the proper amount.(4) D. Related disbursements or expenditures (including principal and interest payable) and debt proceeds are properly recorded and classified. (4,5,6,7,8,9) E. Debt and related restrictions, guarantees, and commitments are properly presented in the combined financial statements, and related disclosures are adequate. (10,11,12,13) Audit Procedures: A. General obligation, special assessment and revenue bonds or notes. 1. Determine that copies of bond or note provisions (ordinances or resolutions), including refunding bond/note issues and escrow agreements for note disclosure, sales agreements, and/or contracts are included in the permanent file. Document revenue bond special reporting requirements such as insurance, number of customers, rates, etc. for report. 2. Review bond or note provisions for compliance with restrictive and reporting requirements and test adequacy of required account balances and document findings. Document and include any non-compliance in the notes to the financial statements and audit report comment. 3. For revenue bonds and notes, include the required disclosures about specific revenues pledged as required by GASB 48 including: a. identification of the specific revenue and amount pledged. b. purpose of the debt secured by the pledged revenue. c. the term of the commitment. d. the percentage of the pledged amount to the total for that specific revenue. e. a comparison of the pledged revenues recognized during the period to the principal and interest requirements for the debt collateralized by those revenues. 4. If bonds or notes are callable, determine if debt service balances are adequate to provide for early retirement of bonds or notes, and if so, determine disposition.					
	A,E				
	E				
	E				

CITY Sample City

June 30, 2008

LONG-TERM DEBT

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
5. Determine and document whether a bond or note register is maintained and kept current.					
6. Obtain or prepare a summary of general obligation, special assessment, and revenue bond or note indebtedness activity for the year by bond or note issue.					
7. On a test basis trace paid bonds/notes and coupons to the bond/note register and determine if they have been properly canceled.					
8. Reconcile bonds or notes redeemed and bond/note interest paid to books.	D				
9. Summarize bonds/notes and interest due but not paid at year-end.					
10. Confirm bond/note activity for registered bonds/notes if City has designated an outside registrar or paying agent.	A,B,C				
11. Confirm balances for FMHA single bond/note revenue bond/note issues.	A,B,C				
12. On a test basis, trace bond/note and interest payments to canceled checks. Determine that payee agrees with bond/note and interest records for registered bonds/notes.	D				
13. Test interest expense for reasonableness and test for the possibility of unrecorded debt.	B				
14. If City has a Treasurer's Bond and Interest Account, prepare a workpaper to reconcile checking account receipts and disbursements for bonds and coupons to general ledger. Obtain information required for note disclosure.					
B. Anticipatory Warrants/Obligations					
1. Obtain or prepare a schedule of obligations outstanding at year-end and reconcile to obligations outstanding at the beginning of the year, obligations issued during the year and obligations redeemed during the year.	A,B,D				
2. Confirm end of year balances of anticipatory warrants.	A,B,C				
3. Trace receipts of such obligations into the cash receipts journal and bank statements.	D				
4. If proceeds are not recorded in cash receipts journal, trace to subsidiary ledger and prepare recommended adjustment to properly record these transactions and reflect them in the fund balance.					
5. Obtain information on interest paid during the year and payment date. Recompute interest paid on a test basis.	D				
6. Determine that anticipatory warrants redeemed were recorded as disbursement at the time of redemption.	D				

CITY Sample City

June 30, 2008

LONG-TERM DEBT

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
7. Anticipatory warrants issued and redeemed during the year should be included as other financing sources and uses, respectively.	D				
C. Capital Leases And Installment Purchases					
1. Review lease and installment purchase agreements.	A				
2. Identify capital versus operating leases according to FASB 13 criteria.	E				
3. For GAAP basis cities, determine initial proceeds were recorded as an other financing source and a disbursement was recorded in the proper expenditure account.	D				
4. Obtain or prepare summary of payments for operating and capital leases and installment purchase agreements for the next five years and thereafter.	E				
5. Compare summaries to agreements.					
6. Determine fiscal year rental expense (net of leases for one month or less).					
7. Reconcile to payment schedule.	B,D				
D. Judgments and Claims (See also "Insurance and Self-Insurance" section of audit program)	A,B,D				
1. Obtain a listing of judgments and claims against the City.					
2. Trace to supporting documentation.					
3. Determine if judgments/claims were paid out of the proper fund.					
E. Termination Benefits:					
1. Review the entity's termination benefits plan and determine that the plan was properly approved.					
2. Obtain or prepare a list of employees eligible for termination benefits under the plan and the amount of the entity's current year expense and liability as of June 30.	A				
3. Select a number of eligible employees under the plan to determine if:	A,B,C,D				
a. The employees meet the requirements noted in the policy					
b. the employees were properly approved for participation in the plan					
c. the current year expense and liability were properly calculated as of June 30.					
4. Inquire of entity personnel about other eligible employees not included in the list.	B				
5. Prepare the necessary footnote disclosure.	E				

CITY Sample City

June 30, 2008

LONG-TERM DEBT

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<ul style="list-style-type: none"> a. A general description of the termination benefit arrangements, including, but not limited to: <ul style="list-style-type: none"> 1) Information about the type(s) of benefits provided 2) The number of employees affected 3) The period of time over which benefits are expected to be provided. b. The costs of termination benefits in the period in which the employer becomes obligated if the information is not otherwise identifiable from the disclosures on the face of the financial statements c. The significant methods and assumptions used to determine the termination benefit liabilities and expenses. 					
F. Determine that other long-term debt (lease-purchase agreements, deferred payment contracts, real estate contracts, loans, TIF development agreements, local option sales tax bonds) is included in the financial statements if applicable, is properly disclosed, and that adequate documentation is filed in the workpapers.	E				
G. Prepare workpaper reconciling debt payments shown on Statement of Indebtedness to the amounts reported in the schedules if not readily apparent in the financial statements. Explain the variances.					
H. Determine if risk of material misstatement due to fraud or error has changed based on results of substantive tests performed. If so, perform appropriate procedures.					
I. Determine whether long-term debt is properly classified and disclosures are adequate.	E				

June 30, 2008

LONG-TERM DEBT

[illegible]

CITY Sample City

June 30, 2008

FUND BALANCE

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives and Related Assertions:					
A. All authorized reservations and designations of the fund balance are properly recorded. (1,2,3)					
B. Components of the fund balance are properly computed and are described, classified and disclosed appropriately in the financial statements. (2,4,10,11,12,13)					
Audit Procedures:					
A. Obtain or prepare a fund balance workpaper to determine that the fund balance of each fund is separately stated and properly classified and that the unexpended balance of any special fund is properly accounted for.	A,B				
B. Determine that the Clerk's report foots and trace ending balances to fund balance workpaper.					
C. Review ending account balances for material deficits and include comment and footnote disclosure, if appropriate, in report. Document City's plans to eliminate deficits, if any.	B				
D. Determine that special assessments are recorded in the proper fund and review for deficit balances and inactive funds. Recommend necessary transfers, if appropriate.	A				
E. For enterprise funds with deficit balances, determine if there is a net earnings violation (book transfers are made to sinking accounts per the bond/note resolution, but if the operating accounts are in a deficit position, the sinking accounts are not backed by cash) and comment if appropriate.	B				
F. Determine that projects are appropriately accounted for in separate capital projects accounts.	B				
G. Review capital projects accounts for inactive accounts and recommend transfers to close these accounts.	B				
H. If a single fund is used to account for risk financing activities, determine whether self-insurance is properly recorded in the General Fund or as an Internal Service fund rather than an Agency Fund.	A				
I. Review June 30 fund balances by fund to determine if balances were in excess of current year disbursements.	B				
J. If there are substantial fund balances, inquire of City to determine if they have any specific plans and commitments for the excess balance. Document conference.					
K. Document findings and identify purpose of any contingency.	B				
L. Examine journal entries and other adjustments made directly to the financial statements. (AU 316.58)					
1. Select specific journal entries including material journal entries for testing. Document the items selected.					

CITY Sample City

June 30, 2008

FUND BALANCE

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
2. Examine the related accounting records and supporting documents or ensure selected items have been examined as part of testing performed in individual transaction cycle audit programs. 3. Identify and consider the appropriateness of significant adjustments made in the preparation of financial statements. Examine whether supporting documentation agrees to amounts in the audit workpapers, where tested. 4. Make inquiries of employees involved in the financial reporting process about the possibility of unusual or improper journal entries. M. Annual Financial Report 1. Reconcile the Annual Financial Report with the City's ledgers. 2. Investigate variances. Consider adjustments and/or comment for material variances. N. Document reconciliation of client's year-end financial statement, for all funds, to Statement of Cash Transactions in audit report. Resolve any differences in balances. Document client adjustments or concurrence to adjust currently, if appropriate. O. Determine if risk of material misstatement due to fraud or error has changed based on results of substantive tests performed. If so, perform appropriate procedures.	A				

FUND BALANCE

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<u>ALTERNATE/ADDITIONAL PROCEDURES:</u>					
<u>CONCLUSION:</u>					
We have performed procedures sufficient to achieve the audit objectives for fund balances, and the results of these procedures are adequately documented in the accompanying workpapers.					
<div style="display: flex; justify-content: space-between;"> <div style="width: 30%;">Incharge _____</div> <div style="width: 30%; text-align: right;">Date _____</div> </div> <div style="display: flex; justify-content: space-between; margin-top: 10px;"> <div style="width: 30%;">Manager _____</div> <div style="width: 30%; text-align: right;">Date _____</div> </div> <div style="display: flex; justify-content: space-between; margin-top: 10px;"> <div style="width: 30%;">Independent Reviewer _____</div> <div style="width: 30%; text-align: right;">Date _____</div> </div>					

CITY Sample City

June 30, 2008

RECEIPTS/REVENUES

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives and Related Assertions:					
A. Only revenues that are available and measurable in this fiscal period have been recorded, and are valid. (5,8)					
B. All revenues that are available and measurable in this fiscal period have been recorded. (6,8)					
C. Revenues have been properly billed or charged and have been recorded at the correct amounts. (7)					
D. Revenues are properly classified, as applicable, in the entity-wide statements and/or fund financial statements and related disclosures are adequate. (9,10,11,12,13)					
Audit Procedures:					
A. Property Tax					
1. Confirm total tax receipts by levy directly with the County Treasurer.	A,B,C				
2. Trace distribution to ledger to determine if properly posted.	D				
3. Reconcile any differences.					
4. Determine that police and fire retirement, employee benefits or other special tax levy collections were properly recorded in a special revenue fund.					
B. Revenue From Other Governmental Sources					
1. Confirm revenue received from federal, state and county sources and reconcile amounts per confirmation with the general ledger:	A,B,C				
a. Hotel/motel tax.					
b. Road use tax.					
c. Community development block grant.					
d. Local option sales tax.					
e. List grants and others – confirm all material amounts.					

2. Trace amounts per confirmation to deposit and determine if timely.	B,C				
3. Determine that such funds were recorded in the proper fund and were being used for authorized purposes.	D				
C. Special Assessments					
1. Confirm total special assessment receipts by project directly with County Treasurer and reconcile to general ledger.	A,B,C				

CITY Sample City

June 30, 2008

RECEIPTS/REVENUES

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
2. Trace distribution to ledger to determine if properly posted.	D				
3. Reconcile any differences.					
4. Review authorization for each special assessment project.					
D. Enterprise Revenues (Water, Electric, Etc.)					
1. Compare current year receipts with prior years and investigate any material variances from expectations. Document findings.	A,B,C,D				
2. Where charges are based on variable quantities or volume of usage, test records of usage such as meter reader reports.	B				
3. Test computation of billings.	C				
4. Trace collection to cash receipts journal and trace to validated deposit ticket. If collections cannot be traced to deposit, consider additional procedures.	A,B				
5. Determine if a monthly and/or year-end list of delinquent accounts is maintained and obtain a copy of the listing .					
a. If not available, comment accordingly.					
b. If available, apply procedures to determine accuracy and completeness of listing for one month and/or at year-end.					
c. Review listing for large balances and document collection procedures performed by the City.					
6. Determine if delinquent accounts are for City officials, employees or their businesses and document on workpapers for exit conference discussion. Confidentiality requirements prohibit report disclosures.					
7. Obtain a copy of established procedures for assessing penalties, instituting shut-offs, etc., on delinquent accounts and ascertain if these procedures have been followed. Include a copy in permanent file.					
8. Ascertain authorizations and procedures for write-offs of uncollectible accounts and test any write-offs which have been made during the period under audit.					
9. Ascertain if a separate file of accounts written-off is maintained and, if so, is it periodically reviewed to determine if these accounts subsequently become collectible.					
10. Determine if monthly reconciliations of billings and collections are prepared.	A,B,C				
a. If not available, comment accordingly.					
b. If available:					

CITY Sample City

June 30, 2008

RECEIPTS/REVENUES

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<ul style="list-style-type: none"> 1) Apply procedures to determine accuracy and completeness of the reconciliation for one month and/or at year-end. 2) Comment accordingly if variances have not been adequately resolved. c. If not available, perform reconciliation procedures for one month and/or at year-end. d. For one month, reconcile total collections to posting in receipt journal and to deposits. 					
E. Sale of Bonds/Notes	C				
<ul style="list-style-type: none"> 1. Review authorization for issuance. 2. Determine that bonds sold were properly recorded and trace proceeds to cash receipts record and bank statement. 	A,B,C				
F. General					
<ul style="list-style-type: none"> 1. On a test basis, foot and crossfoot the cash receipts journal and trace total to clerk's report. 2. Scan ledgers or receipts detail for unusual receipts. Investigate accordingly. 3. Determine if additional testing is required and if so, select receipts for testing and perform the following: <ul style="list-style-type: none"> a. Determine receipt number, from whom received, purpose and amount. b. Trace posting to cash receipts journal. c. Determine if account classification is correct. d. Vouch to supporting documentation, if available. e. Trace to validated deposit ticket. f. Determine if deposit is made intact on a timely basis. g. Determine that receipts from sale of licenses, permits or other fees were charged at the proper rate. 	A,B,C				
	A,B,C,D				
G. Scan deposit tickets and evaluate reasonableness of amounts of currency deposited, considering the types of revenues expected to be received in currency.	B				
H. Determine if risk of material misstatement due to fraud or error has changed based on results of substantive tests performed. If so, perform appropriate procedures.					
I. Determine whether receipts are properly classified and disclosures are adequate.	D				

June 30, 2008

RECEIPTS/REVENUES[illegible]

CITY Sample City

June 30, 2008

DISBURSEMENTS/EXPENDITURES

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives and Related Assertions: A. Recorded expenditures and cash disbursements are for goods or services authorized and received. (5) B. Expenditures incurred for goods or service have all been identified. (6) C. Expenditures for goods or services have been recorded in the correct fiscal year.(8) D. Expenditures for goods or services and related disbursements have been recorded correctly as to account, fund, period, and amount. (7,9) E. Expenditures for goods or services are properly presented, as applicable, in the entity-wide and/or fund financial statements and related disclosures are adequate. (10,11,12,13) Audit Procedures: A. General 1. On a test basis, foot and crossfoot the cash disbursements journal and trace total to the clerk's report. 2. Scan disbursement journal for unusual disbursements. Investigate accordingly. 3. Determine the extent of purchases by credit card and test if significant. 4. Schedule all related party transactions (with City officials or employees) for comment in accordance with Chapter 362.5 of the Code of Iowa. The workpaper should list all payments made during the period. For reporting purposes, include all payments applicable for the period when the individual was an employee or official of the City. Disclose material transactions in the notes to the financial statements. B. Disbursements 1. Select disbursements for testing the following items: a. Disbursement was properly authorized and approved for payment. b. Disbursement was charged to the proper fund. c. Disbursement was charged to the proper disbursement account. d. Disbursement was supported by invoice or contract which was mathematically correct. e. Invoice or other documentation was canceled to prevent reuse. f. Canceled checks or electronically retained check images are properly endorsed and cancelled.					
	A				
	A,E				
	A,B,C,D				

CITY Sample City

June 30, 2008

DISBURSEMENTS/EXPENDITURES

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<ul style="list-style-type: none"> g. Disbursements for capital assets are included on the capital asset listing, if applicable. h. Signatures were authorized per confirmed list from bank. i. The disbursement appears to meet the test of public purpose. For those items which are questionable the City should have adequate documentation as to how the expenditure(s) meet the test of public purpose. j. The disbursement is proper under federal laws and regulations, if applicable. 	A,D				
2. On a test basis, prepare a workpaper for capital projects and other construction contracts to: <ul style="list-style-type: none"> a. Reconcile original contract to final contract. b. Reconcile total payments to-date by scheduling prior year payments, current year payments, payments due and retainage due. c. Determine that projects and contracts were authorized and approved by the governing body. 					
C. Internal Service Funds <ul style="list-style-type: none"> 1. Through analytical procedures or scanning, determine if disbursements appear to be in accordance with the purpose of the fund. 2. Determine that expenditures from operating funds to Internal Service Funds are correctly charged against the budget. 3. For each internal service account, reconcile total revenues in the Internal Service Fund to contributions or transfers from the operating funds. 					
D. Determine if risk of material misstatement due to fraud or error has changed based on results of substantive tests performed. If so, perform appropriate procedures.					
E. Determine whether disbursements are properly classified and disclosures are adequate.	E				

DISBURSEMENTS/EXPENDITURES

[illegible]

CITY Sample City

June 30, 2008

PAYROLL

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives and Related Assertions:					
A. Payroll (wages, salaries, and benefits) disbursements are supported and made only for work authorized and performed. (5,6)					
B. Payroll is computed using rates and other factors in accordance with contracts. (7)					
C. Payroll is recorded correctly as to amount and period and distributed properly by account, fund and budget category, and disclosures are adequate. (7,8,9,10,11,12,13)					
Audit Procedures:					
A. On a test basis, foot and cross-foot payroll records and trace total to appropriate document(s). Document selection methods and results of tests.	A				
B. On a test basis, select payroll transactions from throughout the year to test:	A,B,C				
1. Authorization for gross pay or hourly rate.					
2. Approval of hours worked.					
3. Accuracy of number of hours paid per payroll journal to hours worked per approved timesheet (for hourly employees).					
4. Accuracy of calculations of gross pay.					
5. Accuracy of computation of FICA and IPERS and other retirement contributions withheld. (Effective July 1, 2007, the regular employee IPERS rate is 3.9% and the employer rate is 6.05% and the protection occupation IPERS rate is 5.64% for employee and 8.47% for employer.)					
6. Reasonableness of computation of federal and state withholding.					
7. Authorization for payroll deductions.					
8. Endorsement and cancellation of check are proper.					
C. Determine that timesheets are prepared and approved for all employees, including salaried employees.	A				
D. Consider analytical procedures to substantiate payroll amounts and withholdings.	A,B,C				
E. Review copies of payroll tax returns and document reconciliation of gross wages and the City share of FICA and IPERS to disbursements records. Explain material variances.	C				
F. Prepare a workpaper documenting total City contributions to IPERS.	C				
G. For retirement systems (other than IPERS):					

CITY Sample City

June 30, 2008

PAYROLL

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
1. Review and update permanent file information on pension plans. Identify and document the type of plan. 2. Obtain copy of actuarial report and review. Include copy of pertinent data in file. 3. Determine employee groups covered by each plan. 4. Obtain and verify appropriate information for disclosure.	C				
H. Compensated Absences					
1. Review the City's policies for earned vacation, sick leave and related FICA/IPERS benefits. 2. Obtain or prepare summary of compensated absences at June 30.	A,C				
3. Determine that amounts have been determined in accordance with the provisions of GASB Statement 16 including related fringe benefits.	C				
I. Determine if risk of material misstatement due to fraud or error has changed based on results of substantive tests performed. If so, perform appropriate procedures.					
J. Determine whether payroll and related compensated absences are properly classified and disclosures are adequate.	C				

PAYROLL

[illegible]

CITY Sample City

June 30, 2008

TRANSFERS

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives and Related Assertions: A. All transfers have been identified, adequately supported and properly authorized. (5,6) B. Transfers are recorded in the proper time period under audit, and correct as to accounts and amounts recorded. (7,8) C. Transfers are properly classified and disclosures are adequate. (9,10,11,12,13) Audit Procedures: A. Obtain or prepare a schedule of all fund transfers during the year. B. Identify and document the date and purpose of each transfer and trace to supporting documentation. Document description on workpaper. C. Determine that transfers-in equal transfers-out. D. Determine that transfers were recorded in the proper fund and proper period. E. Determine if risk of material misstatement due to fraud or error has changed based on results of substantive tests performed. If so, perform appropriate procedures. F. Determine whether transfers are properly classified and disclosed.					
	A				
	A,C				
	B				
	C				

TRANSFERS

[illegible]

BUDGET

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives: A. The annual operating budget, and amendments thereto, are properly prepared, documented and approved. B. Budgetary comparisons are properly included in the appropriate financial statements and schedules of governmental funds for which an annual budget has been adopted.					
Audit Procedures: A. Obtain a copy of the adopted budget certificate summary. A B. Obtain a copy of each notice, record of hearing and certificate to amend current budget; including the purpose of the amendment. A C. Determine accuracy of budget amendments (i.e., figures in "Last Budget as Certified or Last Amendment" column are correct; amounts in each applicable program crossfoot). A D. Prepare a workpaper to compare disbursements by function with the budget or amended budget and document and disclose any over-expenditures in the notes to the financial statements and audit comment section. A,B E. Document reason(s) for significant variance(s) between budgeted and actual receipts/revenues. F. Determine if the risk of material misstatement due to fraud or error has changed based on results of substantive tests performed. If so, perform appropriate procedures.					
<u>ALTERNATE/ADDITIONAL PROCEDURES:</u>					
<u>CONCLUSION:</u> We have performed procedures sufficient to achieve the audit objectives for budget and the results of these procedures are adequately documented in the accompanying workpapers.					
Incharge _____ Date _____ Manager _____ Date _____ Independent Reviewer _____ Date _____					

CITY Sample City

June 30, 2008

INSURANCE AND SELF INSURANCE

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives and Related Assertions:					
A. Claims paid in the period are recorded correctly as to account, amount, and period and are disbursed in accordance with the City's policies and procedures for claims settlement. (5,6,7,8)					
B. Insurance (self-insurance) receipts, disbursements, operating transfers, and fund balance are properly classified and described in the financial statements and related disclosures are adequate. (9,10,11,12,13)					
Audit Procedures:					
A. Inquire about the City's policies and procedures for administering and financing insurance claims, including whether insurance policies are carried for complete coverage of some or all risks, or only for excess liabilities.					
B. Prepare a workpaper to summarize amount and type of significant coverage. Review coverage to: 1. Determine if reasonable and current. 2. Determine significant areas in which risk is retained.	B				
C. If a separate insurance fund has been established, consider analytical procedures such as comparing claims expenditures and other fund transactions (i.e. employee contributions, insurance premiums, and administrative fees) to the prior period actual and relate to the number of covered employees (if applicable).	A				
D. If an outside administrator or service company is used: 1. Obtain a copy of the annual report on the status of the program. 2. Compare report with prior periods and discuss any unusual variances with responsible official. 3. Determine if unexpended balances on hand with outside administrator/service company should be included as cash balances of the City.	A,B				
E. Determine adequacy of financial statement presentation and disclosures. Disclosures should include: 1. Description of risks of loss the entity is exposed to and ways in which those risks are handled (i.e., purchase of commercial insurance, participation in a public entity risk pool, or risk retention). Describe significant reductions, if any, in insurance coverage from the previous year by major category of risk, and any settlements in excess of insurance coverage in any of the prior three fiscal years. 2. If the City participates in a public entity risk pool, describe the nature of participation and rights and responsibilities of the entity and the pool.	B				

INSURANCE AND SELF INSURANCE

[illegible]

CITY Sample City

June 30, 2008

SEPARATELY MAINTAINED RECORDS

		Name of entity			
PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>The Incharge Auditor should prepare an audit program for each entity with separately maintained records, including reported component units, and obtain approval of the manager prior to performing the audit steps. The program should be prepared in the prescribed format, specifying audit objective, audit procedures, alternate procedures, conclusion and sign-offs. This can also be documented on the City's audit program, but it should be clearly documented.</p>					
<div><div>Incharge</div><div>Manager</div><div>Independent Reviewer</div><div></div></div> <div><div>Date</div><div>Date</div><div>Date</div><div></div></div>					

CITY Sample City

June 30, 2008

SINGLE AUDIT

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives: A. Federal revenues and expenditures are valid and complete and, if applicable, indirect costs are allocated properly. B. Federal revenues and expenditures are properly presented in the financial statements. C. The City has complied with laws and regulations affecting the expenditure of grant funds. Note: Programmatic requirements are unique to each federal program and can be found in the laws, regulations, and provisions of contract and grant agreements pertaining to the program. For programs listed in the Compliance Supplement, the programmatic requirements can be found in Part 4. For those not covered in the Compliance Supplement, review Part 7 of the supplement. Audit Procedures: A. Review applicable reference material: <ol style="list-style-type: none"> OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. OMB Circular A-133 Compliance Supplement. OMB Circular A-102 (Revised), Grants and Cooperative Agreements with State and Local Governments (March 3, 1988). OMB Circular A-87, Cost Principles for State and Local Governments (Federal Register, May 17, 1995). Statement on Auditing Standards (SAS) No. 74, Compliance Auditing Considerations in Audits of Governmental Entities and Other Recipients of Governmental Financial Assistance (AICPA, Professional Standards, vol. 1, AU801). GAO <u>Government Auditing Standards</u> (the Yellow Book), 2007 revision. Federal Cognizant Agency Audit Organization Guidelines (the Orange Book) Revised November 1987. AICPA Audit Guide, Audits of State and Local Governmental Units. OMB Catalog of Federal Domestic Assistance. Applicable sections of the Code of Federal Regulations. B. Obtain or prepare a Schedule of Expenditures of Federal Awards. If prepared by auditor, determine that independence will not be impaired. The schedule should include: <ol style="list-style-type: none"> Federal grantor or pass-through agency, if applicable. Program name. 	A				

SINGLE AUDIT

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
3. CFDA number. 4. Grant number. 5. Program or award amount. 6. Program disbursements/expenditures (for cash awards) or value of non-cash assistance (for non-cash awards). 7. All programs completed and/or terminated during the year. C. Determine that each program's name and CFDA number reported on the Schedule of Expenditures of Federal Awards agrees with the CFDA Agency Program Index. D. Reconcile appropriate amounts on the Schedule of Expenditures of Federal Awards to amounts in the financial statements and to amounts in the accounting records and document accordingly. E. For each major program, obtain the following information: 1. Grant agreement, application or pass-through agreement and any amendments. 2. Pertinent correspondence, including budget and program modifications. 3. Financial reports. 4. Reference material for clarification of grant/program audit objectives and compliance requirements. 5. Identification of subrecipients, if applicable. 6. Basis of accounting. 7. Contact person. 8. Account codes used to account for program activities. 9. Names and addresses of grantors (direct and indirect). F. Include copies of pertinent information relating to major programs in the permanent file. G. Search for unlisted federal programs not previously identified. H. Review prior year audit reports to determine the nature of previous findings and questioned costs. Document the status in the workpapers. Status will be included in the City's Summary Schedule of Prior Audit Findings. I. If applicable, send a letter of understanding to the cognizant agency. J. Compliance testing for major programs: 1. Test compliance with applicable common requirements. (See following separate audit program sections.)	<p>A,B</p> <p>A</p> <p>A</p> <p>C</p> <p>C</p>				

CITY Sample City

June 30, 2008

SINGLE AUDIT

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
2. Review Compliance Supplement for any special tests and provisions and perform appropriate procedures to ensure compliance. 3. Report the following items in Part III of the Schedule of Findings and Questioned Costs in accordance with OMB Circular A-133 (par. 510): a. Significant deficiencies in internal control over major programs. b. Material non-compliance with the provisions of laws, regulations, contracts, or grant agreements related to a major program. c. Known or likely questioned costs which are greater than \$10,000 for a type of compliance requirement for a major program. (Should include information to provide proper perspective for judging the prevalence and consequences of the questioned costs) d. Known questioned costs which are greater than \$10,000 for a type of compliance requirement for a federal program which is not audited as a major program. (Note: except for audit follow-up, the auditor is not required to perform audit procedures for such federal programs) e. The circumstances concerning why the auditor's report on compliance for major programs is other than an unqualified opinion, unless such circumstances are otherwise reported as findings. f. Known fraud affecting a federal award, unless such fraud is otherwise reported as a finding. g. Instances where the results of audit follow-up procedures disclosed that the summary schedule of prior audit findings prepared by the auditee materially misrepresent the status of any prior audit finding. 4. Report other findings in Part IV of the Schedule of Findings and Questioned Costs.					

CITY Sample City

June 30, 2008

**SINGLE AUDIT
COMMON REQUIREMENTS**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>The following applicable common requirements should be tested in conjunction with the other tests of detail or through other appropriate tests:</p> <p>A. <u>ACTIVITIES ALLOWED OR UNALLOWED:</u></p> <ol style="list-style-type: none"> 1. Identify the types of activities allowed and unallowed for the program(s) tested. 2. If allowability is determined based upon summary level data, verify allowability of the activity and that individual transactions were properly classified and accumulated into the activity total. 3. If allowability is determined based upon individual transactions, select a sample of transactions and verify allowability of the activity. Be alert for any large dollar transfers from program accounts which may have been used to fund unallowable activities. 4. If the agency under audit is considered a pass-through entity, test a sample of approved subrecipient agreements to verify that the activities covered by the agreement are allowable. <p>B. <u>ALLOWABLE COSTS/COST PRINCIPLES:</u></p> <ol style="list-style-type: none"> 1. For transactions selected which involve federal funds determine whether the costs meet the following criteria: <ol style="list-style-type: none"> a. Authorized or not prohibited under state or local laws or regulations. (Certain costs require specific approval; others are not allowable.) b. Approved by the federal awarding agency, if required. c. Conform to any limitations or exclusions set forth in the Circular (A-87, A-21, A-122), or limitations in the program agreement or specific requirements in the program regulations. d. Costs must be allocable to the federal awards under the provisions of OMB's cost principal Circulars (A-87, A-21, A-122). e. Represent charges for actual costs, not budgeted or projected amounts. f. Allocations of fringe benefits allocations, changes or rates are based on the benefits received by different classes of employees within the organization. g. Given consistent treatment with policies, regulations, and procedures applied uniformly to federal and non-federal activities of the agency. 					

CITY Sample City

June 30, 2008

**SINGLE AUDIT
COMMON REQUIREMENTS**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<ul style="list-style-type: none"> h. Given consistent accounting treatment within and between accounting periods and not allocable to or included as a direct cost of a federal program if the same or similar costs are allocated to the federal program as an indirect cost. i. Calculated in conformity with generally accepted accounting principles or other comprehensive basis of accounting, when required under the cost principles circulars. j. Not included as a cost or used to meet cost sharing or matching requirements of another federally supported activity in either the current or a prior period. k. Costs must be net of all applicable credits that result from transactions that reduce or offset direct or indirect costs. l. Not included as both a direct billing and a component of indirect costs, i.e., excluded from costs pools included in cost allocation plans (CAPS.) m. Supported by underlying documentation. <p>2. When material charges are made from internal service, central service, pension, or similar activities or funds, verify that the charges from these activities or funds are in accordance with the cost principal circulars.</p> <ul style="list-style-type: none"> a. For activities accounted for in separate funds, ascertain if: <ul style="list-style-type: none"> 1) Net assets/fund balances (including reserves) were computed in accordance with the applicable cost principles. 2) Working capital was not excessive in amount (generally not greater than 60 days for cash expenses for normal operations incurred for the period exclusive of depreciation, capital costs and debt principal costs). 3) Refunds were made to the federal government for its share of any amounts transferred or borrowed from internal service or central service funds for purposes other than to meet the operating liabilities, including interest on debt, of the fund. b. Verify that all users of services were billed in a consistent manner. c. Verify the billing rates exclude unallowable costs. 					

CITY Sample City

June 30, 2008

**SINGLE AUDIT
COMMON REQUIREMENTS**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>d. Verify, where billing rates are not accounted for in separate funds, that billing rates are developed based on actual costs and were adjusted to eliminate profit.</p> <p>e. For organizations that have self-insurance and a certain type of fringe benefit programs (e.g. pension funds), verify that independent actuarial studies appropriate for such activities are performed at least biennially and that current costs were allocated based on an appropriate study which is not over two years old.</p> <p>3. Cost Allocation Plans/Indirect Cost Rate Agreements.</p> <p>Determine whether material indirect costs or centralized or administrative services are being charged to federal programs. If such costs are being charged, perform the following procedures:</p> <p>a. Obtain and read the current Cost Allocation Plan (CAP) or negotiable agreement and determine the types of rates and procedures required.</p> <p>b. Obtain and read the Current CAP and/or Indirect Cost Rate Agreement and determine the terms of the allocation plan and/or rate agreement in effect (i.e., predetermined, fixed with carryforward provisions or provisional/final).</p> <p>c. Verify the methods of charging costs to federal awards are in accordance with the provisions of the approved CAP or prepared CAP on file.</p> <p>d. Determine whether the CAP's or Indirect Cost Rate Proposals (IDCRP's) have been approved by the appropriate federal agency and whether the resultant rates or amounts charged are final or still open to adjustment or revision, either immediately or as a carry over adjustment in a future period. If approved and final, the results of the audit work shall be reflected, if appropriate, in recommendations for future procedural improvements.</p> <p>e. Examine claims submitted to the federal agency for reimbursement. Determine if the amounts charged and rates used are in accordance with the plan and if rates are being applied to the appropriate base.</p> <p>f. Review, on a test basis, supporting documentation to determine whether:</p> <p>1) The indirect cost pool or centralized service costs contain only allowable costs in accordance with the applicable OMB's cost principles Circulars (A-87, A-21, A-122).</p>					

CITY Sample City

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**SINGLE AUDIT
COMMON REQUIREMENTS**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
2) The methods of allocating the costs are in accordance with the provisions of Circular A-87, other applicable regulations and negotiated agreements. 3) Statistical data in the proposed allocation or rate bases are reasonable, updated as necessary and do not contain any material omissions. 4) Time studies or time and effort reports are mathematically and statistically accurate, are implemented as approved, and are based on the actual effort devoted to the various functional and programmatic activities to which the salary and wage costs are charged. 5) The allocation methodology is consistent and test the appropriateness of methods used to make changes. 6) The indirect costs charged to federal programs are supported by amounts recorded in the accounting records from which the most recently issued financial statements were prepared.					
C. <u>CASH MANAGEMENT:</u> 1. Review the government's cash advancement or reimbursement process(es) and evaluate for adequacy. 2. If an advancement method is used, review the government's system to determine if it is adequate to limit the amount of federal cash to immediate needs. 3. If a reimbursement method is used, review the government's system to determine if it is adequate to ensure the requests are properly supported and made in a timely manner. 4. For selected grant programs, determine dates and amounts for selected advances, drawdowns and other receipts of federal funds and compare to the dates the funds were disbursed and/or checks were presented to the banks for payment. 5. For the same programs, evaluate the size of the balances in relation to the program's needs. 6. Review records to determine if interest was earned on advances and whether it was returned to the appropriate agency. 7. Review the government's system for monitoring advances and payment requests by secondary recipients. Evaluate whether the system is sufficient to limit payments to amounts needed to meet immediate cash requirements.					

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**SINGLE AUDIT
COMMON REQUIREMENTS**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>8. Review selected cash reports submitted by subrecipients and determine if the reports show large amounts of excess cash. If they do, ascertain why.</p> <p>D. <u>DAVIS-BACON ACT</u>:</p> <ol style="list-style-type: none"> 1. Identify the programs involving construction activities. 2. Review selected construction contracts and subcontracts and determine whether they contain provisions requiring the payment of "prevailing" wages. This is applicable to all construction contracts which exceed \$2,000. 3. Review the City's system for monitoring applicable contractors and subcontractors with respect to payment of prevailing wages and evaluate for adequacy. 4. Review the monitoring system for contracts for selected programs and determine whether there is adherence to the prescribed procedures. 5. Examine a sample of contractor or subcontractor payroll submissions and certifications and determine if such submissions indicate that laborers and mechanics were paid the prevailing wage rates established by the Department of Labor for the locality. 6. For recipients who have not developed a system, or whose system is not operating effectively: <ol style="list-style-type: none"> a. Obtain the "local" DOL wage determination from the recipient, the architect/engineer (A/E) managing the project, or DOL. b. Obtain from the client, payroll registers of the construction company and test to determine whether wages paid conform to prevailing wages. <p>E. <u>ELIGIBILITY</u>:</p> <ol style="list-style-type: none"> 1. Individuals: <ol style="list-style-type: none"> a. For some federal programs with a large number of individuals receiving benefits, the City may use a computer system for the processing of individual eligibility determinations and the delivery of benefits. U.S. generally accepted auditing standards provide guidance for the auditor when computer processing relates to accounting information that can materially affect the financial statements being audited. When eligibility is material to a major program, and a computer system is integral to eligibility compliance, the auditor should follow this guidance and consider the City's computer processing. 					

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**SINGLE AUDIT
COMMON REQUIREMENTS**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<ol style="list-style-type: none"> 1) Perform audit procedures relevant to the computer system as needed to support the opinion on compliance for the major program. 2) These tests may be performed as part of testing the internal controls for eligibility. b. Perform procedures to determine completeness of the population. c. Select a sample of individuals receiving benefits and perform tests to determine if the: <ol style="list-style-type: none"> 1) Individuals were eligible in accordance with the compliance requirements of the program. (Note: Some programs have initial and continuing eligibility requirements.) 2) Benefits paid to or on the behalf of the individuals were calculated correctly and in compliance with the requirements of the program. 3) Benefits were discontinued when the period of eligibility expired, or if the person became ineligible. 2. Group of Individuals or Area of Service Delivery: <ol style="list-style-type: none"> a. Test information used in determining eligibility and determine if the population or area of service delivery was eligible. b. Perform test to determine if: <ol style="list-style-type: none"> 1) The population or area served were eligible. 2) The benefits paid to or on behalf of the individuals or area of service delivery were calculated correctly. 3. Subrecipients: <ol style="list-style-type: none"> a. If the determination of eligibility is based on an approved application or plan, obtain a copy of the document and identify the applicable eligibility requirements. b. Select a sample of the awards to the subrecipients and perform procedures to verify that the subrecipients were eligible and amounts awarded were within funding limits. 					
F. <u>EQUIPMENT AND REAL PROPERTY:</u> <ol style="list-style-type: none"> 1. For subrecipients of states that are local governments (Cities): <ol style="list-style-type: none"> a. Obtain a copy of the City's policies and procedures for equipment management and determine if they comply with the state's policies and procedures. 					

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**SINGLE AUDIT
COMMON REQUIREMENTS**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<ul style="list-style-type: none"> b. Select a sample of equipment transactions and test for compliance with the state's policies and procedures for management and disposition of equipment. 2. For non-profit organizations and federal awards received directly from a federal awarding agency by the City: <ul style="list-style-type: none"> a. Inquire if a required physical inventory of equipment acquired under federal awards was taken within the last two years. Test whether any differences between the physical inventory and equipment records were resolved. b. Identify equipment acquired under federal awards during the audit period and trace selected purchases to the property records. Verify that the property records contain the following information about the equipment: <ul style="list-style-type: none"> 1) Description (including serial numbers, or other identification numbers). 2) Source. 3) Title holder. 4) Acquisition date and cost. 5) Percentage of federal participation in the cost. 6) Location. 7) Condition. 8) Ultimate disposition data including date of disposal, sale price or method used to determine fair market value. 3. Select a sample of equipment identified as acquired with federal awards from the property records and observe the equipment. 4. Disposition of Equipment <ul style="list-style-type: none"> a. Determine the amount of equipment dispositions for the year and identify equipment acquired with federal awards. b. Perform procedures to verify that the dispositions were properly reflected in the property records. c. For equipment with a current per-unit fair market value in excess of \$5,000, determine whether the awarding agency was reimbursed for the appropriate federal share. 5. Disposition of Real Property (applicable to all entities): 					

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**SINGLE AUDIT
COMMON REQUIREMENTS**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>a. Determine real property dispositions for the audit period and identify property acquired with federal awards.</p> <p>b. Perform procedures to verify that the City followed the instructions of the awarding agency which will normally require reimbursement to the awarding agency of the federal portion of net sales or fair market value at the time of disposition, as applicable.</p> <p>G. <u>MATCHING, LEVEL OF EFFORT, EARMARKING:</u></p> <ul style="list-style-type: none"> • <u>Matching</u> – includes requirements to provide contributions (usually non-federal) of a specified amount or percentage to match federal awards. Match may be in the form of cash or in-kind contributions. • <u>Level of Effort</u> – includes requirements for (a) a specified level of service to be provided from period to period, (b) a specified level of expenditures from non-federal or federal sources for specified activities to be maintained from period to period, and (c) federal funds to supplement and not supplant non-federal funding of services. • <u>Earmarking</u> – includes requirements that specify the minimum and/or maximum amount or percentage of the programs funding that must/may be used for specified activities, including funds provided to Subrecipients. <p>Matching:</p> <ol style="list-style-type: none"> 1. Perform test to verify that the required matching contributions were met. 2. Determine the sources of matching contributions and perform tests to verify that they were from an allowable source. 3. Test records to corroborate that the value placed on in-kind contributions are in accordance with OMB cost principles circulars, the A-102 Common Rule, program regulations and the terms of the award. 4. Test transactions used to match for compliance with allowable costs/cost principles requirements. This test may be performed in conjunction with the testing of the requirements related to allowable cost/cost principles. <p>Level of Effort:</p> <ol style="list-style-type: none"> 1. Identify the required level of effort and perform tests to verify that the level of effort requirement was met. 					

CITY Sample City

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**SINGLE AUDIT
COMMON REQUIREMENTS**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>2. Perform tests to verify that only allowable categories of expenditures or other effort indicators (e.g., hours, number of people served), were included in the computation and that the categories were consistent from year to year.</p> <p>3. Perform procedures to verify that the amounts used in the computation were derived from the books and records from which the audited financial statements were prepared.</p> <p>4. Perform procedures to verify that non-monetary effort indicators were supported by official records.</p> <p>Level of Effort - Supplement not Supplant:</p> <p>1. Determine if the City used federal funds to provide services which they were required to make available under federal, state or local law and were also made available by funds subject to the supplement not supplant requirement.</p> <p>2. Determine if the City used federal funds to provide services which were provided with non-federal funds in prior years.</p> <p>a. Identify the federally funded services.</p> <p>b. Perform procedures to determine whether the federal program funded services that were previously provided with non-federal funds.</p> <p>c. Perform procedures to determine if the total level of services applicable to the requirement increased in proportion to the level of federal contribution.</p> <p>Earmarking:</p> <p>1. Identify the applicable percentage or dollar requirements for earmarking.</p> <p>2. Perform procedures to verify that the amounts recorded in the financial records meet the requirements (e.g. minimum amounts determine that records show at least the minimum was charged.)</p> <p>3. When requirements specify a minimum percentage or amount, select a sample of transactions supporting the specified amount or percentage and perform tests to verify proper classification to meet the minimum percentage or amount.</p>					

CITY Sample City

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**SINGLE AUDIT
COMMON REQUIREMENTS**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>4. When requirements specify a maximum percentage or amount, review the financial records to identify transactions for the specified activity which were improperly classified in another account. (e.g. If administrative costs are limited to 10%, review other accounts charged to the activity for administrative expense which, if incorrectly coded, would cause maximum percentage to be exceeded)</p> <p>H. <u>PERIOD OF AVAILABILITY OF FEDERAL FUNDS:</u></p> <p>1. Review the award documents and regulations pertaining to the program and determine any award specific requirements related to for the period of availability and document the availability period.</p> <p>2. Test a sample of transactions charged to the federal award after the end of the period of availability and verify that the underlying obligations occurred within the period of availability and that the payment was made within the allowed time period.</p> <p>3. Test a sample of transactions that were recorded during the period of availability and verify that the underlying obligations occurred within the period of availability.</p> <p>4. Select a sample of adjustments to the federal funds and verify that these adjustments were for transactions that occurred during the period of availability.</p> <p>I. <u>PROCUREMENT AND SUSPENSION AND DEBARMENT:</u></p> <p>For federal awards received directly from a federal awarding agency by the City:</p> <p>1. Obtain the City's procurement policies and verify that the policies comply with applicable federal requirements.</p> <p>2. Determine if the City has a policy to use statutorily or administratively imposed in-state or local geographical preferences in the evaluation of bids or proposals. If such policy exists, verify that these limitations were not applied to federal procurements except where applicable federal statutes expressly mandate or encourage geographical preference.</p> <p>3. Examine procurement policies and procedures and verify the following:</p> <p>a. Written selection procedures require that solicitations incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured, identify all requirements that the offer must fulfill, and include all other factors to be used in evaluating bids or proposals.</p>					

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**SINGLE AUDIT
COMMON REQUIREMENTS**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>b. There is a written policy pertaining to ethical conduct.</p> <p>4. Select a sample of procurements and perform the following:</p> <p>a. Examine contract files and verify that they document the significant history of the procurement, including rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis of contract price.</p> <p>b. Verify that procedures provide for full and open competition.</p> <p>c. Examine documentation in support of the rationale to limit competition in those cases where competition was limited and determine if the limitation was justified.</p> <p>d. Examine contract files and determine that a cost or price analysis was performed in connection with procurement actions, including contract modifications and that this analysis supported the procurement action.</p> <p>e. Verify that the awarding federal agency approved procurements exceeding \$100,000 when such approval was required. Procurements (1) awarded by non-competitive negotiations, (2) awarded when only a single bid or offer was received (3) awarded to other than the apparent low bidder, or (4) specifying a "brand name" product require prior federal awarding agency approval.</p> <p><i>The following only apply to states and federal awards subgranted by the state to the City.</i></p> <p>1. Test a sample of procurements to determine if the state's laws and procedures were followed and that the policies and procedures used were the same as for state funds.</p> <p><i>The following procedure applies to all non-federal entities.</i></p> <p>1. Test a sample of procurements and subawards to determine if the City performed a verification check for covered transactions, by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with the entity.</p> <p>2. Test a sample of procurement and subawards against the EPLS and determine if contracts or subawards were awarded to suspended or debarred parties.</p>					

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**SINGLE AUDIT
COMMON REQUIREMENTS**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
J. <u>PROGRAM INCOME:</u>					
1. Identify any program income.					
a. Review laws and regulations, the provisions of contract, and grant agreements applicable to the program and determine if program income was anticipated and, if so, the requirements for recording and using program income.					
b. Inquire of management and review accounting records to determine if program income was received.					
2. Perform tests to verify that all program income was properly recorded in the accounting records.					
3. Perform tests to determine if program income was used in accordance with the program requirements.					
K. <u>REAL PROPERTY ACQUISITION AND RELOCATION ASSISTANCE:</u>					
1. Determine whether the City is administering a federal or federally-assisted program that involves the acquisition of property or the displacement of households or businesses.					
2. Property Acquisition:					
a. Appraisal - test records to verify:					
1) The just compensation amount offered the property owner was determined by an appraisal process.					
2) The appraisal(s) was examined by a review appraiser.					
3) The review appraiser prepared a signed statement which explains the basis for adjusting comparable sales to reach the review appraiser's determination of the fair market value.					
b. Negotiations - verify from supporting documentation that:					
1) A written offer of the appraised value was made to the property owner.					
2) A written justification was prepared if the purchase price for the property exceeded the amount offered and that the documentation (e.g. recent court awards, estimated trial cost ext.) supports such administrative settlement as being reasonable, prudent, and in the public interest.					

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SINGLE AUDIT
COMMON REQUIREMENTS

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<ul style="list-style-type: none"> c. Residential Relocations – verify from supporting documentation that the City made available to the displaced persons one or more comparable replacement dwellings. <p>3. Replacement Housing Payments – Examine the City’s records to verify and determine if there is documentation that supports the following:</p> <ul style="list-style-type: none"> a. The owner occupied the displacement dwelling for at least 180 days immediately prior to initiation of negotiations. b. The City examined at least three comparable replacement dwellings available for sale and computed the payment on the basis of the price of the dwelling most representative of the displacement dwelling. c. The asking price for the comparable dwelling was adjusted, to the extent justified by local market data, to recognize local area selling price reductions. d. The allowance for increased mortgage costs “buy down” amounts was computed based on the remaining principal balance, the interest rate, and the remaining term of the old mortgage on the displacement dwelling. e. The City prepared written justification on the need to employ last resort housing provisions, if the total replacement housing payment exceeded \$22,500. <p>4. Rental or Downpayment Assistance – Examine the City’s records to determine if there is documentation that supports the following:</p> <ul style="list-style-type: none"> a. The displacee occupied the displacement dwelling for at least 90 days immediately prior to initiation of negotiations. b. The displacee rented, or purchased, and occupied a decent, safe, and sanitary replacement dwelling within one year. c. The City prepared written justification if the payment exceeded \$5,250. 					

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**SINGLE AUDIT
COMMON REQUIREMENTS**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>5. Business Relocations</p> <p>a. Moving expenses – Verify that payments for moving and related expenses were for actual costs incurred or that fixed payments, in lieu of actual costs, were limited to a maximum of \$20,000 and computed based on the average annual net earnings of the business as evidenced by income tax returns, certified financial statements, or other reliable evidence.</p> <p>b. Business Reestablishment Expense – Verify that (1) the displacee was eligible as a farm operation, non-profit organization, or a small business to receive reestablishment assistance, and (2) the payment was for actual costs incurred and did not exceed \$10,000.</p> <p>L. <u>REPORTING:</u></p> <p>1. Review applicable laws, regulations, and the provisions of contract and grant agreements pertaining to the program for reporting requirements.</p> <p>2. Determine the types and frequency of required reports.</p> <p>3. Obtain and review federal awarding agency, or pass-through entity in the case of a subrecipient, instructions for completing the reports.</p> <p>a. For financial reports, determine the accounting basis used in reporting the data (i.e. cash or accrual).</p> <p>b. For performance and special reports, determine the criteria and methodology used in compiling and reporting the data.</p> <p>4. Perform appropriate analytical procedures and determine the reason for any unexpected differences. Examples of analytical procedures include:</p> <p>a. Comparing current period reports to prior periods.</p> <p>b. Comparing anticipated results to the data included in the reports.</p> <p>c. Comparing information obtained during the audit of the financial statements to the report.</p> <p>5. Select a sample of each of the following report types.</p> <p>a. Financial reports:</p> <p>1) Determine if the financial reports were prepared in accordance with the required accounting basis.</p>					

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**SINGLE AUDIT
COMMON REQUIREMENTS**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>2) Trace the amounts reported to accounting records that support the audited financial statements and the schedule of expenditures of federal awards and verify agreement.</p> <p>b. Performance reports:</p> <p>1) Trace data to records that accumulate and summarize data.</p> <p>2) Perform tests of the underlying data to verify that the data were accumulated and summarized in accordance with the required or stated criteria and methodology.</p> <p>c. When intervening computations or calculations are required between the records and the reports, trace reported data elements to supporting worksheets or other documentation that link reports to data.</p> <p>d. Test mathematical accuracy of reports and supporting worksheets.</p> <p>6. Test selected reports for completeness:</p> <p>a. For financial reports, review accounting records and determine if all applicable accounts were included in the sampled reports.</p> <p>b. For performance and special reports, review supporting records and determine if all applicable data elements were included in the sampled report.</p> <p>7. Obtain written representation from management that the reports provided to the auditor are true copies of the reports submitted or electronically transmitted to the federal awarding agency or pass-through entity in the case of a subrecipient.</p> <p>M. <u>SUBRECIPIENT MONITORING:</u></p> <p>1. Review City's subrecipient monitoring policies and procedures and discuss with the City's staff to gain an understanding of the scope, frequency and timeliness of monitoring activities, including the number, size and complexity of awards to subrecipients.</p> <p>2. Test award documents to determine if the City makes subrecipients aware of the award information and requirements imposed by laws, regulations, and the provisions of contract and grant agreements; and the activities approved in the award documents were allowable.</p>					

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**SINGLE AUDIT
COMMON REQUIREMENTS**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
3. Review the City's documentation of during-the-award monitoring to determine if the City provides reasonable assurance that subrecipients used federal funds for authorized purposes, complied with laws and regulations, provisions of contracts and grant agreements, and achieved performance goals. 4. Review the City's follow-up to ensure corrective action on deficiencies noted during the award monitoring. 5. Verify that the City receives audit reports from subrecipients required to have an audit in accordance with OMB Circular A-133, issues management decisions on audit findings within six months after receipt of the subrecipient's audit report, and requires subrecipients to take appropriate and timely corrective action on deficiencies identified in audit findings. 6. Verify that in cases of continued inability or unwillingness of a subrecipient to have required audits, the City took appropriate action using sanctions. 7. Verify that the effects of subrecipient non-compliance are properly reflected in the City's records. 8. Document the City's procedures for monitoring subrecipients who are not required to have an A-133 audit (total expenditures of federal awards of less than \$500,000). Verify the procedures for reasonableness and adequacy.					
N. <u>SPECIAL TESTS AND PROVISIONS:</u> 1. Review the laws, regulations, and provisions of grant and contract agreements to identify special tests and provisions. 2. Develop procedures to test these requirements.					

SINGLE AUDIT

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
MISCELLANEOUS PROVISIONS:					
A. If the City is a pass-through agency of federal funds, ensure the appropriate receipts/revenues and disbursements/expenditures are recognized in compliance with GASB 24.					
B. Obtain Data Collection Form. (The federal programs listed in Part III should be in the same order as the Schedule of Expenditures of Federal Awards.)					
C. Prepare notification letters to pass-through entities not required to receive a reporting package.					
D. Obtain Corrective Action Plan for Federal Audit Findings from City (prepared on City letterhead) and review for propriety.					
E. Obtain Summary Schedule of Prior Federal Audit Finding from City (prepared on City letterhead) and review for propriety.					
F. Determine if risk of material misstatement due to fraud or error has changed based on results of substantive tests performed. If so, perform appropriate procedures.					
<u>ALTERNATE/ADDITIONAL PROCEDURES:</u>					
<u>CONCLUSION:</u>					
We have performed procedures sufficient to achieve the audit objectives for Single Audit requirements, and the results of these procedures are adequately documented in the accompanying workpapers.					
<div style="display: flex; justify-content: space-between;"> <div>Incharge _____</div> <div>Date _____</div> </div> <div style="display: flex; justify-content: space-between;"> <div>Manager _____</div> <div>Date _____</div> </div> <div style="display: flex; justify-content: space-between;"> <div>Independent Reviewer _____</div> <div>Date _____</div> </div>					

CITY Sample City

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**28E ENTITIES WITH GROSS RECEIPTS
OVER \$100,000**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives: A. To provide for the examination of financial condition and transactions of 28E organizations accounted for by the City, in accordance with Chapter 11.6 of the Code of Iowa. Audit Procedures: A. Identify any 28E organizations for which the City performs receipt and disbursement functions for, and for which gross receipts were in excess of \$100,000 during the fiscal year. B. Discuss with a responsible official of the 28E's governing body the Code requirement for an audit, and determine whether the governing body wants the audit conducted at the same time as the City's audit. 1. Document name of responsible official and discussion. 2. Obtain the organization's concurrence to conduct the audit. Ask for the concurrence in writing. Governing body action may be required. 3. Discuss billing arrangements. C. If organization agrees to an audit, perform the following: 1. Review and document the organization's internal controls. 2. Minutes a. Review minutes and document significant action including subsequent events. b. Determine and document whether minutes were properly signed. c. Determine, on a test basis, if meetings were preceded by proper notice. (Chapter 21.4 of the Code of Iowa). d. Determine if the minutes show information sufficient to indicate the vote of each member present as required by Chapter 21.3 of the Code of Iowa. e. Determine if minutes document that the governing body followed proper proceedings for any closed sessions. (Chapter 21.5 of the Code of Iowa). 1) The session was closed by affirmative roll call vote of at least two-thirds of the members. 2) The specific exemption under Chapter 21.5 of the Code was identified and documented. 3) Final action was taken in open session.	A				

**28E ENTITIES WITH GROSS RECEIPTS
OVER \$100,000**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>f. Determine, on a test basis, if the entity furnished a summary of the proceedings to be submitted for publication to the newspaper within 20 days following the adjournment of the meeting in accordance with Chapter 28E.6(3) of the Code of Iowa (as amended by HF808) and included:</p> <p>1) A schedule of bills allowed.</p> <p>2) A list of all salaries paid for services performed but persons regularly employed by the entity shall only be published annually.</p> <p>3. Review and test receipts, disbursements, payroll and any other significant transaction cycles as considered necessary. If payroll is not processed with the City's payroll system, review payroll withholdings and quarterly reports.</p> <p>D. For 28E organizations other than landfills, prepare a separate statement of changes in assets and liabilities for inclusion in the City's audit report. (Although optional, due to the nature of landfills and the difficulties in determining compliance with GASB 18 and the Department of Natural Resources, it is strongly recommended that 28E landfill reports be issued under separate cover.)</p> <p>E. Determine if the risk of material misstatement due to fraud or error has changed based on results of substantive tests performed. If so, perform appropriate procedures.</p> <p><u>ALTERNATE/ADDITIONAL PROCEDURES:</u></p> <p><u>CONCLUSION:</u></p> <p>We have performed procedures sufficient to achieve the audit objectives for 28E entities with gross receipts over \$100,000 and the results of these procedures are adequately documented in the accompanying workpapers.</p> <p>Incharge _____ Date _____</p> <p>Manager _____ Date _____</p> <p>Independent _____</p> <p>Reviewer _____ Date _____</p>	A				

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COMPLETION OF AUDIT

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives and Related Assertions: A. Written representations have been obtained from responsible officials. B. Misstatements discovered during the audit have been evaluated. C. Financial statements are fairly presented and disclosures are adequate. (10,11,12,13) D. The effect on the auditor's report of GAAP departures, scope limitations, uncertainties, other auditors, or other matters has been evaluated. E. Significant deficiencies have been summarized and communicated to the appropriate parties. F. Significant commitments, contingencies and subsequent events that may require disclosure have been identified. (10,11,12,13) Audit Procedures: A. Inquire as to whether all funds have been brought to our attention. B. Identify any commitments, contingencies and subsequent events that may require disclosure. <ol style="list-style-type: none"> In connection with litigation and claims, perform the following procedures: <ol style="list-style-type: none"> Obtain from City officials a description and evaluation of litigation and asserted and unasserted claims. Examine documents in the City's possession concerning the above matters. Review invoices for legal services and consider whether any other matters in addition to the above were disclosed during the course of the audit. Review attorney's letter for matters requiring disclosure. Complete review of minutes through the end of fieldwork for subsequent events. Inquire of City officials about existence of material subsequent transactions or events and significant matters unresolved at year end. Scan records subsequent to period under audit for significant unusual receipts, payments and non-standard entries. C. Determine if footnote disclosure is needed and obtain documentation for the following items (For Cities with unusual types of activities, consider reviewing the AICPA disclosure checklist): <ol style="list-style-type: none"> Lease commitments (capital and operating leases). 					
	F				
	F				
	F				
	C				

CITY Sample City

June 30, 2008

COMPLETION OF AUDIT

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
2. Construction commitments. 3. Contracts. 4. Termination Benefits. 5. Subsequent events. 6. Lawsuits. 7. Claims and judgments. 8. Other commitments and contingencies (including outstanding indebtedness of others guaranteed by the City; moral obligations; conduit debt; and no-commitment debt). 9. Health insurance trust. 10. Municipal solid waste landfill. 11. Relationships with organizations other than component units: a. Related organizations. b. Joint ventures. c. Jointly governed organizations. d. Component units and related organizations with joint venture characteristics. e. Pools. f. Undivided interests. g. Cost-sharing arrangements. 12. Other pertinent information. D. Summarize and evaluate misstatements noted during the audit, including both known and likely misstatements. (SAS 98) The auditor should consider whether any qualitative factors exist which may affect the auditor's conclusion about whether misstatements are considered material (AU 312.60). Examples may include: a. The potential effect on trends – such as the trend on net income or any other information used in trend analysis. b. The potential effect on the County's compliance with loan/debt covenants, other contractual agreements or regulatory provisions. c. The misstatement has the effect of increasing management's compensation (if there would be some form of incentive compensation or bonuses based on an award). d. The motivation of management to the misstatement, such as: 1) Bias when determining estimates.	B				

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COMPLETION OF AUDIT

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<ul style="list-style-type: none"> 2) An unwillingness to correct weaknesses in the financial reporting process. 3) An intentional decision not to follow generally accepted accounting principles. e. The likelihood that a currently immaterial misstatement may have a material effect in future periods due to the cumulative effect. f. The risk additional undetected misstatements would affect the auditor's evaluation. 					
E. Document the reconciliation of the financial statements to accounting records.	C				
F. Obtain City's concurrence on proposed adjusting journal entries.					
G. Determine and document whether there could be substantial doubt about the City's ability to continue as a going concern.	D				
H. Determine and document the type of opinion for each opinion unit. Document reasons for variances from unqualified opinion.	C,D				
I. Summarize significant deficiencies and material weaknesses and include in written communication to management and those charged with governance within 60 days following the report release date. (AU 325.21)	E				
<ul style="list-style-type: none"> 1. Deficiencies in the following areas ordinarily are at least significant deficiencies in internal control (AU 325.18): <ul style="list-style-type: none"> a. Controls over the selection and application of accounting principles that are in conformity with GAAP. b. Antifraud programs and controls. c. Controls over non-routine and nonsystematic transactions. d. Controls over the period-end financial reporting process including procedures used to enter transactions into the general ledger; initiate, authorize, record and process journal entries into the general ledger; and record recurring and nonrecurring adjustments to the financial statements. 2. Deficiencies in the following areas should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control (AU 325.19): <ul style="list-style-type: none"> a. Ineffective oversight of the entity's financial reporting and internal control by those charged with governance. 					

CITY Sample City

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COMPLETION OF AUDIT

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<ul style="list-style-type: none"> b. Restatement of previously issued financial statements to reflect the correction of a material misstatement. c. Identification by the auditor of a material misstatement in the financial statements for the period under audit that was not initially identified by the entity's internal control. d. An ineffective internal audit function or risk assessment function at an entity for which such functions are important such as very large or highly complex entities. e. An ineffective regulatory compliance function for complex entities in highly regulated industries. f. Identification of fraud of any magnitude on the part of senior management. g. Failure by management or those charged with governance to assess the effect of a significant deficiency previously communicated to them and either correct it or conclude that it will not be corrected. h. An ineffective control environment. 	C,E				
J. Draft audit report, including opinions, financial statements, notes, supplemental information and other reports. Determine that preparation of the draft audit report will not impair independence.					
K. Send the draft financial statements to the City and obtain the City's approval: <ul style="list-style-type: none"> 1. Date sent to City _____ 2. Date City approved _____ 					
L. Perform the following limited procedures to Required Supplementary Information(RSI), as required by SAS No. 52: <ul style="list-style-type: none"> 1. Inquire of management about the methods used in preparing the information. 2. Compare the information for consistency with management's responses to the foregoing inquiries, audited financial statements, and other knowledge obtained during the examination of the financial statements. 3. Consider whether representations on RSI should be included in specific written representations obtained from management.(SAS 85) 4. Apply additional procedures, if any, that other statements, interpretations, guides, or statements of position prescribe for specific types of RSI. 					

CITY Sample City

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COMPLETION OF AUDIT

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>5. Make additional inquiries if application of the foregoing procedures causes the auditor to believe that the information may not be measured or presented within applicable guidelines.</p> <p>M. Review the reasonableness of the Management's Discussion and Analysis which is limited to the following required elements: (GASB 34 par.11)</p> <ol style="list-style-type: none"> 1. A brief discussion of the basic financial statements, including the relationships of the statements to each other, and the significant differences in the information they provide. 2. Condensed financial information derived from entity-wide financial statements comparing the current year to the prior year. 3. An analysis of the government's overall financial position and results of operations to assist users in assessing whether financial position has improved or deteriorated as a result of the year's operations. 4. An analysis of balances and transactions of individual funds. The analysis should address the reasons for significant changes in fund balances or fund net assets and whether restriction, commitments, or other limitations significantly affect the availability of fund resources for future use. 5. An analysis of significant variations between original and final budget amounts and between final budget amounts and actual budget results for the general fund. 6. A description of significant capital asset and long-term debt activity during the year, including commitments made for capital expenditures, changes in credit ratings, and debt limitations that may affect the financing of planned facilities or services. 7. If applicable, a discussion of the modified approach to report some or all of the infrastructure assets. 8. A description of currently known facts, decisions, or conditions that are expected to have a significant effect on financial position or results of operations. <p>N. Determine information presented as supplementary information in the statistical section of a Comprehensive Annual Financial Report (CAFR) complies with GASB 44 requirements.</p>					

CITY Sample City

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COMPLETION OF AUDIT

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
O. Perform a retrospective review of significant accounting estimates reflected in the prior year financial statements and consider whether the underlying assumptions in the prior year indicate a possible bias on the part of management. Consider whether the results of the review provide additional information about possible bias in making current year estimates. If possible bias is identified, evaluate whether the circumstances represent a risk of material misstatement due to fraud. (AU 316.64)	C				
P. Evaluate and document the business rationale for significant unusual transactions. (AU 316.66)					
Q. Perform analytical procedures for overall review of financial statements. Document the consideration of the following: <ol style="list-style-type: none"> 1. The adequacy of evidence gathered in response to unusual or unexpected balances identified in planning the audit or in the course of the audit. 2. Unusual or unexpected balances or relationships that were not previously identified. 	C				
R. Conduct an exit conference with the City. In addition to the Clerk and Administrator, request Mayor and/or Council Member attendance or the audit committee if applicable. Document communication of: <ol style="list-style-type: none"> 1. Report findings. 2. Non-report findings. 3. Audit and accounting problems that may affect the audit bill. 4. Uncorrected misstatements which are believed to be immaterial. 	E				
S. Obtain appropriate written representation signed by the Finance Director, Mayor, City Clerk and/or appropriate personnel. <ol style="list-style-type: none"> 1. Modify, as necessary, for related party/business transactions and federal program representations and/or other items. 2. Prepared on City's letterhead. 3. Dated same date as the auditor's reports as determined in AU 339.23. 	A				
T. Complete the budget and time summary including explanation of significant variances from budget and recommendations for next year (if applicable). Note billing instructions if applicable.					

CITY Sample City

June 30, 2008

COMPLETION OF AUDIT

[illegible]

AUDIT AND ACCOUNTING PROBLEMS

[illegible]

CONFERENCES

[illegible]

CITY Sample City

June 30, 2008

**SIGNIFICANT FINDINGS
FROM THE AUDIT**

IN ATTENDANCE:

<u>City</u>		<u>Auditor</u>	
Name	Title	Name	Title

The auditor should communicate significant findings from the audit with those charged with governance including the following matters (AU 380.34 through AU 380.44)

(A) Accounting Policies

Significant accounting policies used by the City are described in Note 1 to the financial statements. Except as noted below, no new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. Except as noted below, we noted no transactions entered into by the City that were both significant and unusual, and of which, under professional standards, we were required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Exceptions:

(B) Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We evaluated key factors and assumptions used in the significant estimates used by the City in determining the reasonableness in relation to the financial statements taken as a whole.

List significant estimates:

(C) Difficulties Encountered in Performing the Audit

Except as noted below, we encountered no significant difficulties in dealing with management in performing and completing our audit.

Exceptions:

CITY Sample City

June 30, 2008

**SIGNIFICANT FINDINGS
FROM THE AUDIT**(D) Uncorrected misstatements

We have provided you with a listing of all known and likely uncorrected misstatements identified during the audit which have been included in the management representation letter. In our judgment, none of the uncorrected misstatements, either individually or in the aggregate, indicate matters that could have a significant effect on the City's financial reporting process.

(E) Disagreements with Management

Professional standards define a disagreement with management as a matter, whether or not resolved or not resolved to our satisfaction, concerning a financial accounting, reporting or auditing matter that could be significant to the financial statements or the auditor's report. Except as noted below, no such disagreements arose during the course of our audit.

Exceptions:

(F) Material, Corrected Misstatements

Except as noted, all material, corrected misstatements brought to the attention of management as a result of audit procedures were included in the auditor's comments and recommendations.

Exceptions:

(G) Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine the consultant has all the relevant facts. Except as noted below, there were no such consultations with other accountants.

Exceptions:

(H) Significant Issues

Significant issues arising from the audit that were discussed, or the subject of correspondence, with management.

List any significant issues:

(I) Comments

We have provided you our written comments and recommendations regarding the City's financial statements and operations.

Acknowledgement:

Governing Body Representative

Date

June 30, 2008

ITEMS FOR COMMENT-
STATUTORY AND OTHER LEGAL MATTERS

[illegible]

2 – Reported in Other Findings Related to Statutory Reporting.

June 30, 2008

[illegible]

1 – Reported in Findings Related to the General Purpose Financial Statements.
2 – Reported in Other Findings Related to Statutory Reporting.

CITY Sample City

June 30, 2008

ITEMS FOR COMMENT

The following guidance should be used by the auditor to evaluate the control deficiencies identified:

Magnitude of Misstatement That Occurred, or Could Have Occurred	Likelihood of Misstatements	
	More Than Remote	Remote
Quantitatively or Qualitatively material	Material weakness	Control deficiency but not a significant deficiency or a material weakness
More than inconsequential but less than material	Significant deficiency but not a material weakness	Control deficiency but not a significant deficiency or a material weakness
Inconsequential (i.e., clearly immaterial)	Control deficiency but not a significant deficiency or a material weakness	Control deficiency but not a significant deficiency or a material weakness

Definitions:

Control Deficiency – exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Significant Deficiency – a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not to be prevented or detected.

Material Weaknesses – a significant deficiency or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

More Than Inconsequential – Describes the magnitude of potential misstatement that could occur as a result of a significant deficiency and serves as a threshold for evaluating whether a control deficiency or combination of control deficiencies is a significant deficiency. A misstatement is inconsequential if a reasonable person would conclude, after considering the possibility of further undetected misstatements, that the misstatement, either individually or when aggregated with other misstatements, would clearly be immaterial to the financial statements. If a reasonable person would not reach such a conclusion regarding a particular misstatement, that misstatement is more than inconsequential.

Likelihood – refers to the probability that a control, or combination of controls, could have failed to prevent or detect a misstatement in the financial statements being audited.

Magnitude – refers to the extent of the misstatement that could have occurred, or that actually occurred, since misstatements include both potential and actual misstatements.

June 30, 2008

ITEMS FOR COMMENT

[illegible]

S/D = Significant Deficiencies

M = Material

MR = More than remote

ITEMS FOR NEXT YEAR

[illegible]

	Initial	Date
Prepared By		
Reviewed By		

				Financial Statements Effect – Amount of Over (Under) Statement of:							
K/P	Description (Nature) of Audit Difference	Amount	Work- paper Ref.	Total Assets	Total Liab.	Fund Equity	Revenues	Expend.	Excess of Rev. over Expend. (a)	Working Cap. (b)	Mgr. Appr.
Unadjusted audit differences - this year											
Effect of unadjusted audit differences - last year											
Net audit difference											
Financial statement caption totals											
Net audit differences as a % of F/S captions											

Yes _____ No _____
Yes _____ No _____

CITY Sample City

June 30, 2008

**OPINION, DISCLOSURE AND
OTHER REPORT INFORMATION**

A. Independent Auditor's Report on the financial statements:

1. Type of opinion rendered for each opinion unit and reason for modification of opinion, if applicable:

ANSWER

<input type="checkbox"/> Governmental Activities	U	Q	D	A
<input type="checkbox"/> Business Type Activities	U	Q	D	A
<input type="checkbox"/> Major Fund – General	U	Q	D	A
<input type="checkbox"/> Major Fund – Road Use Tax	U	Q	D	A
<input type="checkbox"/> Major Fund – Debt Service	U	Q	D	A
<input type="checkbox"/> Additional Major Fund –	U	Q	D	A
<input type="checkbox"/> Additional Major Fund –	U	Q	D	A
<input type="checkbox"/> Additional Major Fund –	U	Q	D	A
<input type="checkbox"/> Aggregate Remaining Fund Information	U	Q	D	A
<input type="checkbox"/> Aggregate Discretely Presented Component Units	U	Q	D	A

2. Reliance on opinion of other auditors properly included in the Independent Auditor's Report

Y N N/A

3. Supplemental information accompanying basic financial statements (AU 551) (check applicable):

- ☐ Include "in relation to" opinion.
- ☐ Disclaim opinion on unaudited information.
- ☐ Prior year information audited by whom and type of opinion(s) rendered (for multiple opinions, please describe in the space below):

☐ 2007 AOS Other auditors U Q D A

☐ 2006 AOS Other auditors U Q D A

☐ 2005 AOS Other auditors U Q D A

Other Years:

☐ _____ AOS U Q D A

☐ _____ Other auditors U Q D A

June 30, 2008

OPINION, DISCLOSURE AND OTHER REPORT INFORMATION

[illegible]

CITY Sample City

June 30, 2008

**OPINION, DISCLOSURE AND
OTHER REPORT INFORMATION**

Y = Yes N = No N/A = Not Applicable

C. IAR on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards:

1. Instances of material non-compliance	<u>Y</u> <u>N</u>	<u>GF-12's</u>
2. Instances of non-material non-compliance	<u>Y</u> <u>N</u>	<u>GF-12's</u>
3. No instances of non-compliance	<u>Y</u> <u>N</u>	<u>GF-12's</u>
4. Significant Deficiencies	<u>Y</u> <u>N</u>	<u>GF-12's</u>
5. Material Weaknesses	<u>Y</u> <u>N</u>	<u>GF-12's</u>

D. IAR on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133:

1. Instances of non-compliance	See next page	
2. Significant Deficiencies	<u>Y</u> <u>N</u>	<u>GF-12's</u>
3. Material Weaknesses	<u>Y</u> <u>N</u>	<u>GF-12's</u>

E. Because this audit is being conducted under Chapter 11 of the Code of Iowa, Government Auditing Standards and OMB Circular A-133, users of the report are presumed to be aware of the conditions under which the report is issued, including the requirement of state law that requires the report to be open to the public.

F. Dollar threshold used to distinguish between Type A and Type B programs

\$_____	<u>GF-1's</u>
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G. City qualified as low-risk auditee

<u>Y</u> <u>N</u>	<u>GF-1's</u>
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CITY Sample City

June 30, 2008

**OPINION, DISCLOSURE AND
OTHER REPORT INFORMATION**

	Major Program (CFDA #):					Major Program (CFDA #):				
	Require- ment Tested	Findings reported in Part III of SFQC	Type of finding reported in Part III	Material Weakness	Type of Opinion	Require- ment Tested	Findings reported in Part III of SFQC	Type of finding reported in Part III	Material Weakness	Type of Opinion
Common requirements (GF-9s):										
A. Activities Allowed or Unallowed	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, SD, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, SD, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>
B. Allowable Costs/Cost Principles	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, SD, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, SD, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>
C. Cash Management	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, SD, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, SD, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>
D. Davis-Bacon Act	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, SD, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, SD, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>
E. Eligibility	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, SD, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, SD, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>
F. Equipment and Real Property	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, SD, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, SD, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>
G. Matching, Level of Effort, Earmarking	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, SD, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, SD, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>
H. Period of Availability of Federal Funds	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, SD, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, SD, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>
I. Procurement, Suspension and Debarment	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, SD, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, SD, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>
J. Program Income	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, SD, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, SD, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>
K. Real Property Acquisition and Relocation Assistance	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, SD, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, SD, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>
L. Reporting	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, SD, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, SD, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>
M. Subrecipient Monitoring	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, SD, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, SD, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>
N. Special Tests and Provisions	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, SD, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, SD, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>

U = Unqualified
Q = Qualified
D = Disclaimer
A = Adverse

MNC = Material noncompliance
QC = Questioned Cost > \$10,000
SD = Significant Deficiency
NONE = None required to be reported

Y = Yes
N/A = Not applicable

CITY Sample City

June 30, 2008

**OPINION, DISCLOSURE AND
OTHER REPORT INFORMATION**

	Major Program (CFDA #):					Major Program (CFDA #):				
	Require- ment Tested	Findings reported in Part III of SFQC	Type of finding reported in Part III	Material Weakness	Type of Opinion	Require- ment Tested	Findings reported in Part III of SFQC	Type of finding reported in Part III	Material Weakness	Type of Opinion
Common requirements (GF-9s):										
A. Activities Allowed or Unallowed	Y N/A	Y N/A	MNC,QC,SD,NONE	Y N/A	U,Q,D,A	Y N/A	Y N/A	MNC,QC,SD,NONE	Y N/A	U,Q,D,A
B. Allowable Costs/Cost Principles	Y N/A	Y N/A	MNC,QC,SD,NONE	Y N/A	U,Q,D,A	Y N/A	Y N/A	MNC,QC,SD,NONE	Y N/A	U,Q,D,A
C. Cash Management	Y N/A	Y N/A	MNC,QC,SD,NONE	Y N/A	U,Q,D,A	Y N/A	Y N/A	MNC,QC,SD,NONE	Y N/A	U,Q,D,A
D. Davis-Bacon Act	Y N/A	Y N/A	MNC,QC,SD,NONE	Y N/A	U,Q,D,A	Y N/A	Y N/A	MNC,QC,SD,NONE	Y N/A	U,Q,D,A
E. Eligibility	Y N/A	Y N/A	MNC,QC,SD,NONE	Y N/A	U,Q,D,A	Y N/A	Y N/A	MNC,QC,SD,NONE	Y N/A	U,Q,D,A
F. Equipment and Real Property	Y N/A	Y N/A	MNC,QC,SD,NONE	Y N/A	U,Q,D,A	Y N/A	Y N/A	MNC,QC,SD,NONE	Y N/A	U,Q,D,A
G. Matching, Level of Effort, Earmarking	Y N/A	Y N/A	MNC,QC,SD,NONE	Y N/A	U,Q,D,A	Y N/A	Y N/A	MNC,QC,SD,NONE	Y N/A	U,Q,D,A
H. Period of Availability of Federal Funds	Y N/A	Y N/A	MNC,QC,SD,NONE	Y N/A	U,Q,D,A	Y N/A	Y N/A	MNC,QC,SD,NONE	Y N/A	U,Q,D,A
I. Procurement, Suspension and Debarment	Y N/A	Y N/A	MNC,QC,SD,NONE	Y N/A	U,Q,D,A	Y N/A	Y N/A	MNC,QC,SD,NONE	Y N/A	U,Q,D,A
J. Program Income	Y N/A	Y N/A	MNC,QC,SD,NONE	Y N/A	U,Q,D,A	Y N/A	Y N/A	MNC,QC,SD,NONE	Y N/A	U,Q,D,A
K. Real Property Acquisition and Relocation Assistance	Y N/A	Y N/A	MNC,QC,SD,NONE	Y N/A	U,Q,D,A	Y N/A	Y N/A	MNC,QC,SD,NONE	Y N/A	U,Q,D,A
L. Reporting	Y N/A	Y N/A	MNC,QC,SD,NONE	Y N/A	U,Q,D,A	Y N/A	Y N/A	MNC,QC,SD,NONE	Y N/A	U,Q,D,A
M. Subrecipient Monitoring	Y N/A	Y N/A	MNC,QC,SD,NONE	Y N/A	U,Q,D,A	Y N/A	Y N/A	MNC,QC,SD,NONE	Y N/A	U,Q,D,A
N. Special Tests and Provisions	Y N/A	Y N/A	MNC,QC,SD,NONE	Y N/A	U,Q,D,A	Y N/A	Y N/A	MNC,QC,SD,NONE	Y N/A	U,Q,D,A

U = Unqualified MNC = Material noncompliance
Q = Qualified QC = Questioned Cost > \$10,000
D = Disclaimer SD = Significant Deficiency
A = Adverse NONE = None required to be reported

Y = Yes
N/A = Not applicable

CITY Sample City

June 30, 2008

**OPINION, DISCLOSURE AND
OTHER REPORT INFORMATION**
SINGLE AUDIT

REPORTING PACKAGES – The following entities are required to receive a copy of the City’s reporting package:

- 1) Federal Clearinghouse
- 2) Grantor pass-through entities when:

The Schedule of Findings and Questioned Costs disclose audit findings related to federal awards that the pass-through entity provided and/or,

The Summary Schedule of Prior Audit Findings reported the status of any audit findings related to federal awards that the pass-through entity provided directly.

List appropriate agencies and their addresses, if any:

CITY Sample City

June 30, 2008

**OPINION, DISCLOSURE AND
OTHER REPORT INFORMATION**

NOTIFICATION LETTERS – The following entities are required to receive an audit notification:

All pass-through entities not required to receive a copy of the reporting package (see previous page).

Circle applicable agencies:

Iowa Dept of Public Safety
215 East 7th Street
Des Moines, IA 50319

Governor's Office of Drug Control Policy
401 SW 7th, Suite N
Des Moines, IA 50309

Iowa Dept of Human Services
Division of Fiscal Management
1st Floor
Hoover State Office Building
LOCAL

Iowa Dept of Education
Grimes State Office Building
400 E. 14th Street
Des Moines, IA 50319-0146

Iowa Dept of Public Health
Lucas State Office Building
LOCAL

Iowa Dept of Natural Resources
Wallace Building
LOCAL

Iowa Dept of Elder Affairs
Parker Building
LOCAL

Iowa Dept of Economic Development
200 East Grand
Des Moines, Iowa 50309

Iowa Dept of Transportation
Attn. Tom Devine
800 Lincoln Way
Ames, IA 50010

Iowa Dept of Public Defense
Iowa Homeland Security and Emergency
Management Division
State Comptroller's Office
ATTN: Duane Jamison
7105 NW 70th Avenue B61
Johnston, IA 50131-1824

List other agencies and their addresses:

[illegible]

CONFIRMATION CONTROL

[illegible]

June 30, 2008

**WORKPAPER COPIES
GIVEN TO CLIENT AND
OUTSIDE PARTIES**

[illegible]

June 30, 2008

PENDING MATTERS

[illegible]

REVIEW NOTES

[illegible]

CITY Sample City

June 30, 2008

INCHARGE REVIEW QUESTIONNAIRE

QUESTION	YES	NO	N/A
1. Was the scope of our audit in accordance with our audit plan?			
2. Have you informed the Manager of all identified problems and internal control weaknesses that resulted in significant modification in the audit program, and have you obtained the Manager's concurrence with the modifications?			
3. Have you gathered enough evidence to satisfy the audit program objectives?			
4. Are you satisfied that the evidence gathered does not disclose suspicions of abuse, fraud, violations of statutory, regulatory and contractual provisions, or other illegal acts other than those noted in the statutory comments of the report?			
5. Are you satisfied that we have a reasonable basis for the expression of an opinion on each opinion unit and that the workpaper documentation supports the opinion we are expressing on the financial statements?			
6. Are you satisfied with the results of the limited procedures performed for required supplementary information (RSI), including management's discussion and analysis (MD&A) and other supplementary information?			
7. Are you satisfied there is not substantial doubt about the City's ability to continue as a going concern, or if there is substantial doubt, the appropriate disclosures were made and an explanatory paragraph was included in the Independent Auditor's Report?			
8. Are you satisfied that we have a reasonable basis for and the workpapers support our statement in the Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting for instances of non-compliance required to be reported under <u>Government Auditing Standards</u> ?			
9. Are you satisfied that we have a reasonable basis for expressing an opinion on the City's compliance with the common requirements applicable to major federal programs?			
10. Are you satisfied that we have obtained an adequate understanding of the design of internal controls, determined whether these controls have been implemented and assessed control risk?			
11. Are you satisfied that we have reduced the detection risk to a reasonable level?			
12. Have all applicable items on the audit planning, questionnaires and audit program been completed and workpapers properly indexed and signed or initialed by those doing the work?			
13. Have all significant unusual or unexpected balances or relationships noted during planning or the course of the audit been adequately investigated and documented?			
14. Has the work of all assistants been thoroughly reviewed?			
15. Have review notes been adequately resolved?			
16. Are you satisfied that the planned level of risk material misstatement due to fraud or error did not increase based on the accumulated results of the audit procedures performed during fieldwork?			

CITY Sample City

June 30, 2008

INCHARGE REVIEW QUESTIONNAIRE

QUESTION	YES	NO	N/A
<p>17. Has there been appropriate communication with other audit team members throughout the audit regarding information or conditions indicative of risks of material misstatement due to fraud or error? (AU 316.74 and 318.74)</p> <p>18. Have you documented the success and/or failures of procedures performed based on the planned risk assessment in the items for next year section?</p> <p>19. Have you discussed with the client and prepared draft comments or memoranda regarding communication of the following to the client:</p> <p>a. Management suggestions?</p> <p>b. All significant deficiencies and material weaknesses in internal controls that we observed?</p> <p>c. All immaterial items noted during our audit?</p> <p>d. Non-compliance with any statutory, regulatory or contractual requirements?</p> <p>e. Auditor's Reports on financial statements, compliance and internal controls?</p> <p>20. Has the audit report routing sheet:</p> <p>a. Been completed and signed off?</p> <p>b. Been completed for the report distribution section, including addresses for non-client report recipients?</p> <p>21. Has the news release draft been completed?</p> <p>22. Has a list been prepared of all significant pending matters which must be cleared before issuing the report?</p> <p>23. Has the Manager been informed of all pending matters?</p> <p>24. Have required engagement evaluation reports been completed by the appropriate person(s)?</p> <p>25. Are you satisfied that all audit work complied with professional standards and office policies?</p> <p><u>COMMENTS</u> (required for "No" answers):</p>			
<p>Incharge _____ Date _____</p> <p>Manager _____ Date _____</p> <p>Independent Reviewer _____ Date _____</p>			

CITY Sample City

June 30, 2008

MANAGER REVIEW QUESTIONNAIRE

QUESTION	YES	NO	N/A
<p>A. <u>GENERAL</u></p> <ol style="list-style-type: none"> 1. Have you reviewed the workpapers and do you concur with the conclusions of the incharge? 2. Have all exceptions noted on the Incharge Review Questionnaire been resolved? 3. Are you satisfied that: <ol style="list-style-type: none"> a. The audit program was properly modified for identified problems and internal control weaknesses? b. Required supplemental information, if applicable, has been obtained and limited testing procedures have been performed? c. The judgments and conclusions reached are supported by documented evidence? d. Appropriate changes for the next audit, if any, have been summarized? e. All audit work conformed to the audit plan, scope and audit objective? f. Significant unusual or unexpected balances or relationships noted during planning or the course of the audit have been adequately investigated and documented? g. Nothing was noted that indicated an increased level of risk of material misstatement due to fraud or error? 4. Do the workpapers include adequate documentation as to: <ol style="list-style-type: none"> a. Changes in accounting policies? b. Conformity with U.S. generally accepted accounting principles or another comprehensive basis of accounting, if appropriate? c. Conformity with U.S. generally accepted government auditing standards? d. Conformity with statutory, regulatory and contractual provisions? e. Adequacy of disclosure? f. Compliance with office policies? 5. Have applicable questionnaires been completed? 6. Have all applicable procedures been performed and signed off? 7. Have all review comments been cleared with adequate documentation of disposition? 8. Have required performance evaluations been completed? <p>B. <u>FINANCIAL STATEMENTS AND AUDIT REPORT</u></p> <ol style="list-style-type: none"> 1. Are the financial statements adequately referenced to footnote disclosures? 2. Are the dates of the financial statements correct? 3. Are all material facts disclosed which are necessary to not make the financial statements misleading? 4. Have all material and/or special or extraordinary subsequent events been evaluated and properly disclosed? 			

CITY Sample City

June 30, 2008

MANAGER REVIEW QUESTIONNAIRE

QUESTION	YES	NO	N/A
5. Is there adequate documentation in the workpapers to support the footnotes?			
6. Do the footnotes clearly explain the facts?			
7. Is the nature of each financial statement clearly indicated by its title?			
8. Do the financial statements maintain a uniform manner of format, capitalization, headings and appearance in general within itself?			
9. Is our audit report addressed to the proper party?			
10. Does our opinion for each opinion unit properly state the responsibility we wish to assume?			
11. Has adequate audit work been performed to support the opinion on the financial statements that we are rendering?			
12. Is the report dated in accordance with AU 339.23?			
13. Is any data in the footnotes that requires special mention, with respect to the date of our report, appropriately reflected in the date of our report?			
14. Is our opinion on the supplemental financial information proper and supported by our audit?			
15. Are disclosures in each opinion unit financial statements, and notes to financial statements adequate and do they clearly communicate the facts?			
16. Have you performed final analytical procedures including a comparison of the financial statements to the prior year?			
17. Are you satisfied that the audit did not disclose any suspicions of fraud, violations of statutory, regulatory and contractual provisions or other illegal acts other than those noted in the statutory comments of the			
18. Have the following been discussed with appropriate client officials and arrangements been made to get responses, if appropriate:			
a. Management suggestions?			
b. All significant deficiencies and material weaknesses in internal control that we observed?			
c. All immaterial items?			
d. Non-compliance with any statutory, regulatory or contractual requirements?			
e. Auditor's Report?			
19. Have you sent the draft financial statements to the client and received written client approval of the financial statements?			
C. <u>IAR on Compliance and on Internal Control Over Financial Reporting:</u>			
1. Has adequate work been performed to support our statement on instances of non-compliance required to be reported under <u>Government Auditing Standards</u> ?			
2. Have appropriate exceptions been noted for items of non-compliance?			
3. Has adequate audit work been performed to support:			
a. Our understanding of internal controls?			

CITY Sample City

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MANAGER REVIEW QUESTIONNAIRE

QUESTION	YES	NO	N/A
b. The determination of whether these controls have been implemented? c. Our assessment of control risk? 4. Have all significant deficiencies and material weaknesses been disclosed?			
D. <u>IAR on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance:</u> 1. Has adequate audit work been performed to support the opinion we are giving on compliance with common requirements applicable to major federal programs? 2. Have appropriate exceptions been noted for items of non-compliance? 3. Has adequate audit work been performed to support: a. Our understanding of internal controls? b. The determination of whether these controls have been implemented? c. Our assessment of control risk? 4. Have all significant deficiencies and material weaknesses been disclosed?			
E. <u>REPORT PRODUCTION</u> 1. Has the report routing sheet been completed? 2. Does the draft audit report comply with professional and office reporting standards? 3. Has a copy of the completed routing sheet, including the report release date, been filed in the GF-17's?			
<u>COMMENTS</u> (required for "No" answers):			
Manager _____ Date _____ Independent Reviewer _____ Date _____			

CITY Sample City

June 30, 2008

INDEPENDENT REVIEWER QUESTIONNAIRE

QUESTION	YES	NO	N/A
1. Is the audit evidence and documentation for all significant unusual or unexpected balances or relationships noted during planning or the course of the audit adequate?			
2. Have you reviewed the audit conclusions on all material items in the financial statements?			
3. Have all review notes been adequately resolved?			
4. Have you reviewed and do you concur with the Incharge Review Questionnaire?			
5. Have you reviewed and do you concur with the Manager Review Questionnaire?			
6. Based on your review, are the financial statements fairly presented?			
7. For any significant unusual or unexpected balances or relationships noted in your review of the audit report that were not previously identified, has adequate audit evidence and documentation been obtained?			
8. Do the financial statements, supplemental information and the comments and recommendations appear to be materially correct?			
9. Is the required supplementary information (RSI) included, if applicable, and has it been evaluated for reasonableness?			
10. Is the auditor's report on financial statements appropriate, based on our audit and the financial statement presentation?			
11. Is the auditor's report on compliance and internal control over financial reporting appropriate, based on our audit?			
12. Is the auditor's report on compliance with requirements applicable to each major program and internal control over compliance appropriate, based on our audit?			
13. Does the draft audit report comply with professional and office reporting standards?			
<u>COMMENTS</u> (required for "No" answers):			
<div style="display: flex; justify-content: space-between; align-items: flex-end;"> <div>Independent Reviewer _____</div> <div>Date _____</div> </div>			